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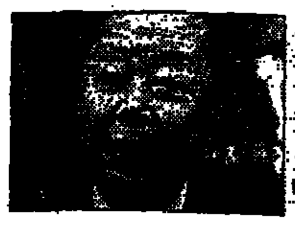

**Mute and mocked**
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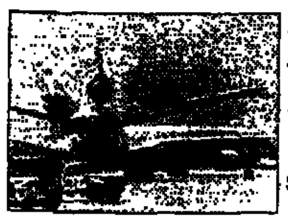

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Rebecca Stephens: how I conquered Everest


# FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JUNE 18 1993 — D8523A


## New Bundesbank faces expected to maintain hard line

Top vacancies at the Bundesbank are to be filled by candidates who are expected to maintain the bank's hardline policies but also to improve relations between Bonn and the Frankfurt monetary authorities. The appointments include Johann Wilhelm Gaddum, a close associate of chancellor Helmut Kohl, who takes over as vice-president on October 1 when Hans Tietmeyer moves up to become president. Page 16

**Bosnia 'safe-haven' devastated:** UN military observers confirmed the devastation of Gorazde, the Moslem enclave in south-eastern Bosnia, after Serb forces allowed them into the region designated a "safe area" by the international community. Page 2

**More German job cuts:** A renewed wave of job cuts is gaining momentum in west German industry, with automotive companies once again bearing the brunt. Page 2

**Ukraine to hold referendum:** The Ukrainian parliament voted to hold a referendum of confidence in both the president and parliament. Page 2

**Vote may bring Japan election:**

Japan's ruling Liberal Democratic party was scrambling last night to stave off defeat in a no-confidence vote scheduled for today that could force Kiichi Miyazawa, the prime minister, to call a snap election. The no-confidence motion was proposed yesterday by opposition parties, which are confident that defections from the LDP will win them the vote. The move came after the LDP in effect ended debate on changes to the scandal-prone political system. Page 6; Editorial Comment, Page 15

**Hopes raised on UK economy:** A further drop in unemployment and subdued retail price rises in May raised hopes that Britain might be on the way to achieving a sustained non-inflationary economic recovery. Page 16; Lex, Page 16

**Microsoft,** the world's largest personal computer software supplier, has decided to remain a developer of technically advanced software, rather than diversify into computing services, where the US group has little expertise. Page 17

**Renault and Volvo discuss merger:** Intensive talks are under way between Renault, the state-owned French car and truckmaker, and Volvo of Sweden on turning their three-year old alliance into a merger. Page 17

**British Aerospace** is reorganising its businesses in order to protect its ability to pay dividends and achieve greater scope for joint ventures. Page 17; Lex, Page 16

**Exchanges compete:** Two London-based futures exchanges are competing for the right to trade futures and options contracts on the FT-SE Mid 250 index, made up of the 250 UK stocks which rank below the FT-SE 100 index by market value. Page 17

**Ford attacks EC price move:** Ford of Europe claimed it would be almost impossible to harmonise new car prices across the European Community as Brussels prepared to publish the first comparative pan-European car price lists. Page 2

**Astra misdemeanours highlighted:** A UK report into into Astra Holdings, the collapsed munitions company linked to the Iraqi supergun affair, criticised the London Stock Exchange, auditors Stoy Hayward and financial advisers Paine Webber as well as the company's directors over a series of misdemeanours. Page 18

**Paris tries to avert telecoms split:** France is pressing Bonn to reconsider its apparent decision to opt out of EC telecommunications sanctions against the US, before next week's EC summit at Copenhagen. Page 5

**German steel asks for EC help:** The German steel industry called for the European Community to help pay for the social costs of cutting steel production in eastern Europe, in exchange for the firm promise of lower output. Page 5; S Korean steel executives held, Page 6

**Kvaerner,** the Norwegian engineering group, reported pre-tax profits ahead at NKr434m ($62m) in the first four months, compared with NKr424m the year previously, following sharply increased profits in its oil and gas division. Page 18

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2875.7 | (-7.3) |
| Yield | 4.01 | |
| FT-SE Eurotrack 100 | 1182.69 | (+1.52) |
| FT-A All-Share | 1420.99 | (-0.2%) |
| Nikkei | 19,925.51 | (+23.09) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3514.69 | (+3.04) |
| S&P Composite | 447.67 | (+0.24) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3 1/16% |
| 3-mo Treas Bills: Yld | 3.085% |
| Long Bond | 104 |
| Yield | 6.808% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5 11/16% | (5 13/16%) |
| Liffe long gilt future: | Jun 106 1/4 | (Jun 105 23/32) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Aug) | $17.51 | (17.7) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Aug) | $372.2 | (371.5) |
| London | $371.15 | (369.35) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5155 | |
| London: | | |
| $ | 1.5155 | (1.504) |
| DM | 2.51 | (2.495) |
| FFr | 8.435 | (8.385) |
| SFr | 2.24 | (2.235) |
| Y | 161.5 | (160.25) |
| £ Index | 79.9 | (79.4) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.65685 | |
| FFr | 5.57 | |
| SFr | 1.4792 | |
| Y | 106.75 | |
| London: | | |
| DM | 1.6555 | (1.6585) |
| FFr | 5.565 | (5.575) |
| SFr | 1.4785 | (1.4855) |
| Y | 106.65 | (106.6) |
| $ Index | 64.4 | (64.5) |

Tokyo close Y 107.0

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Germany | DM3.30 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Greece | Dr300 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr60 | Hungary | Ft172 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lv25.00 | Iceland | IKr180 | Neth | Fl 3.75 | Slovak Rp | KSL45 |
| Croatia | HRD5700 | India | Rs40 | Nigeria | Naira45 | Slovenia | SLT220 |
| Cyprus | C£1.00 | Israel | Shk5.90 | Norway | NKr16.00 | Spain | Pta200 |
| Czech Rp | Kcs45 | Italy | L2700 | Oman | OR1.50 | Sweden | SKr15 |
| Denmark | DKr15 | Jordan | JD1.50 | Pakistan | Rs35 | Switz | SFr3.20 |
| Egypt | E£4.50 | Korea | Won 2500 | Philippines | Pso45 | Syria | S£50.00 |
| Finland | FM12 | Kuwait | Fils 600 | Poland | Zl 22,000 | Tunisia | Din1.250 |
| France | FFr9.00 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L7000 |
| | | | | | | UAE | Dh11.00 |

# At last, something goes right for Clinton

By Jurek Martin in Washington

LESS THAN a week after nothing had seemed to be going right, President Bill Clinton could yesterday claim no less than three substantial victories on Capitol Hill.

None of the triumphs – on the deficit reduction package, campaign finance reform and the national service corps – is irrevocable, complete or fully in line with his original proposals.

But taken together with the widely applauded nomination of Judge Ruth Bader Ginsburg to the Supreme Court, a new sense of a president on the upswing, even in charge of his own destiny, has suddenly pervaded Washington with its rampant tendency to pass instant judgments.

Clearly inspired by Mr David Gergen, his new counsellor and former aide to President Ronald Reagan, Mr Clinton was to capitalise on the momentum with another press conference last night. Counting an aborted one on Monday, this will be the third this week, complemented by a series of interviews being granted to the heavyweight writing press, all claiming, as the president had vigorously on Tuesday, substantive accomplishments in his five months.

Simultaneously, the powerful media have been engaging in a mini-orgy of introspection, asking in print and on the air whether or not they were too hard on the president too soon. Typical was a long New York Times analysis yesterday aptly headlined, "The Capitol Press vs the President: Fair Coverage or Unreined Adversity?" Even the Wall Street Journal editorial comments, normally contemptuous, praised his approach to the North American Free Trade Agreement.

Of the events in Congress, the agreement by the 11 Democrats on the Senate finance committee over the details of the deficit reduction package was the most crucial.

Mr Clinton took the tactical view that getting this accord, long in doubt, was more important than its component parts, so long as the numerical deficit reduction goal, of about $500bn over five years as calculated by the administration, was similar to his own. Unlike the budgetary process in the House, where he lobbied hard and personally, he allowed the senators to work it out for themselves.

Predictably they agreed to drop his broadly based energy tax, already narrowly passed by the

Continued on Page 16

Fugitive leader takes refuge in hospital as wards fill with victims of gun battles

# UN orders detention of Somali Gen Aideed

US troops join yesterday's UN attack on the headquarters of Gen Mohammed Farah Aideed in Mogadishu

By Michael Littlejohns, UN Correspondent, in New York and Our Foreign Staff

THE UNITED Nations yesterday ordered the arrest and detention of General Mohammed Farah Aideed, the Somali warlord accused of directing an attack on Pakistani troops in Mogadishu on June 5 which left 23 dead and many others wounded.

Admiral Jonathan Howe, the UN special representative in Somalia, said that safeguarding Somali civilians as well as UN personnel required Gen Aideed's detention. French, Italian and Pakistani UN forces were to undertake the operation, with the US providing air support.

The move draws the UN forces further into the conflict which has ravaged the African country. Gen Aideed was yesterday holed up in a hospital in Mogadishu, the capital, its wards filled with the hundreds injured in the clashes of the past few weeks. His forces have previously used Somali civilians as human shields.

Early yesterday Gen Aideed's villa and the houses of two chief henchmen were stormed by US and Pakistani soldiers. One Pakistani peacekeeper was killed and 16 Moroccans and one American were wounded in the raids, according to Mr Fabbio Fabbri, the Italian defence minister, who has just returned to Rome from Mogadishu. He told parliament that five Somali fighters were killed and 14 were wounded in the attack, which destroyed Gen Aideed's home.

Two small Italian opposition parties, the Greens and the hardline Rifondazione Comunista, called on their government to withdraw its troops from the operation. This echoed similar calls by Germany's opposition Social Democrats.

A representative of Action Internationale Contre la Faim, a French aid organisation, told France-Info radio from Mogadishu that a US Cobra helicopter had fired two rockets into its office in the city yesterday, killing a local employee, wounding six others and largely destroying the building.

With street fighting continuing, the city's two main hospitals reported that more than 60 people had been killed yesterday alone, and a further 100 wounded.

In New York, the UN said Gen Aideed's arrest was necessary pending the completion of an investigation into the attack on the Pakistanis, some of whom were mutilated, and subsequent "appropriate criminal proceedings".

The charges that were the subject of the Security Council-ordered inquiry were:

- Conspiracy to conduct premeditated attacks against UN forces;
- Crimes against humanity; and
- Contravening Article 3 of the 1949 Geneva Convention);
- Endangering civilians and UN personnel through the organised incitement of violence.

The force commander, Turkish General Civic Bir, was ordered "to detain him as soon as feasible in connection with the investigation mandated by the Security Council".

His detention would ensure his own safety and that of the Somali people.

He would be granted "all appropriate rights". Others would be arrested if evidence was developed implicating them in similar crimes.

The UN emphasised that the actions now under way were not aimed at any clan group. All who wished to participate peacefully in political reconciliation and reconstruction were encouraged to do so.

# EBRD role in eastern Europe criticised

By Robert Peston, Banking Editor, in London

THE EUROPEAN Bank for Reconstruction and Development's investments have made an inadequate impact on eastern Europe economies, according to a confidential report commissioned by the bank's president, Mr Jacques Attali.

The report, by two consultants who have worked for the EBRD, Mr Martin Paijmans and Mr Stanley Katz, says that the "bank's impact comes up short as compared to the use of its resources".

In the two years since the bank was created, private sector financing "has been concentrated in fewer than a half-dozen recipient countries (Czech Republic, Hungary, Poland, Russia)".

It accuses the EBRD of failing to make a "coherent ... contribution to the [east European] economic transition process" and adds that when the bank has funded public sector projects, only a few countries have benefited and the investments have been confined to limited sectors, notably communications, construction and energy.

Of the 25 countries which the EBRD can assist: "some nine or ten ... have received little or no financial assistance".

In his preface to the report, given to the bank's 23 directors, Mr Attali says it is "one element" in his decision to propose a radical reorganisation of the bank's management. The board has also received a report by Mr Attali recommending that three senior management positions are created, all reporting to him.

He urges, as do Mr Katz and Mr Paijmans, that the bank's development banking and merchant banking operations be merged and then divided into three "operations departments", each covering a group of countries.

At the moment, the focus of merchant banking is to provide private sector investments, while development banking concentrates on financing infrastructure projects.

However Mr Katz and Mr Paijmans say there is increasing duplication of staffing and organisations in the two departments, which leads to waste and confusion among potential clients.

Attali proposes shake-up, Page 2

# Ferruzzi's banks warn of 40-day delay on rescue

By Haig Simonian in Milan

THE FIVE main creditor banks to Italy's troubled Ferruzzi group yesterday warned they would need at least 40 days to prepare a detailed examination of its accounts before progress can be made on a rescue plan.

The Italian news agency report followed a lengthy meeting yesterday of Ferruzzi's five main creditor banks, led by Mediobanca. Ferruzzi declined to comment on the report.

It also said creditor banks had decided not to impose a new executive on the group but to alter the boards of directors of Ferruzzi's subsidiaries at their forthcoming annual meetings.

The suggestion that a rescue will take much longer than expected looks set to depress the value of Ferruzzi group shares. They had rebounded yesterday in Milan as dealers reacted positively to a terse statement by a broader group of Ferruzzi's leading bankers on Wednesday night that they would stand by the company.

The banks' declaration, which followed talks at the Bank of Italy, was enough to trigger a rise of almost 14 per cent in the share price of the Ferruzzi Finanziaria (Ferfin) holding company.

Shares in Montedison, the group's main industrial operation, also recovered by almost 14 per cent.

Wednesday night's statement confirmed the readiness of Ferruzzi's main bank creditors to support the group during its restructuring.

In an indication that an outright dismemberment was not imminent, the statement said the objective of the reorganisation was "to safeguard the basic integrity of the strategic activities of Italy's second-biggest private sector group".

The declaration did not indicate what it considered to be the strategic activities of the far-flung Ferruzzi empire. The group's businesses include agro-industrial operations, energy, and cement and building materials, as well as financial services.

The statement also boosted shares in the Fondiaria insurance operation, which this week announced plans for a big rights issue underwritten by the five creditor banks.

The deal for the company, controlled by Ferruzzi through a joint venture, is likely to spell the effective transfer of control of Fondiaria to the creditor banks. Fondiaria shares rose by almost 14 per cent yesterday.

# Nadir says tapes put Watergate in shade

By John Murray Brown in Kyrenia, northern Cyprus, and David Owen in London

MR ASIL NADIR, the fugitive businessman, yesterday made his most extraordinary assertion yet in his war of words against British authorities, claiming he has tapes of government ministers and officials which "prove" that there was a conspiracy to bring down his former company, Polly Peck International.

Mr Nadir declined yesterday in an interview with the Financial Times in northern Cyprus to reveal the names of the ministers he claims are involved or to say how he came by the alleged tapes. When pressed, he declined to say whether the ministers were recorded in conversation with him or with another party.

Downing Street said last night it was not aware of Mr Nadir's claims to be in possession of tape recordings of cabinet ministers.

Mr Nadir said the tapes of a number of ministers would make the "Watergate look like a minor bugging offence". Asked for detail about the alleged tapes, Mr Nadir appeared irritable, merely saying "would I dare to

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# Fresh wave of job cuts in Germany

By Christopher Parkes in Frankfurt

A RENEWED wave of job cuts is gaining momentum in west German industry, with automotive companies once again bearing the brunt. Volkswagen workers heard yesterday that further job losses were unavoidable in addition to the 12,500 already planned for this year and next in the German parent company.

Mr Daniel Goeudevert, group deputy chairman, told a factory meeting in Wolfsburg that deliveries in Germany to the end of May were 22 per cent lower than in the same period last year. Global deliveries were down 12 per cent, he added.

He gave no clues as to the number of jobs to go, but the stresses within the group were highlighted on Wednesday when Audi, its luxury car division, announced a 25 per cent production cut next month, and complained specifically about a drop in orders from Japan.

Some 25,000 employees are to be sent home for five days in July, following eight days' short-time this month.

Meanwhile, Audi is continuing with plans announced early this year to shed 4,000 workers by the end of December.

Iveco Magirus, the bus and truck business belonging to Italy's Fiat group, yesterday announced "limited" further payroll reductions after a 2 per cent cut last year. Production had fallen 27 per cent in the first five months of 1993, Mr Wolfgang Keller, the chairman, told the annual meeting.

Phoenix, a leading manufacturer of plastic and rubber vehicles components, forecast a 23 per cent drop in sales this year. After cutting 15 per cent of its workforce in the past 12 months, it was now looking for further economies, Mr Ludwig Horatz, its chairman, said in Hamburg.

In another development, Philips Kommunikations Industrie, a subsidiary of the Dutch group incorporating the Grundig electronics business, said 1,500 jobs were to go by the end of the year.

On Wednesday, the steel division of Thyssen said 9,000 jobs would have to go by the end of next year, instead of the 6,000 previously announced.

Even though economists suggest that the economy should start to recover next year after reaching the bottom of the cycle this summer, unemployment is expected to continue increasing.

From 3.25m at the last count, total German unemployment is expected to climb to between 4m and 5m next year, according to senior Bonn officials. At 2.15m, the unadjusted jobless total in the west last month was 26 per cent higher than a year earlier.

# German waste recycling is hit by success

GERMANY'S much-vaunted waste recycling system is collapsing under the weight of its own success, collecting four times more plastic garbage than it can recycle, writes Ariane Genillard in Bonn.

Duales System Deutschland (DSD), set up by German companies to collect and recycle household waste, said it urgently needed DM500m ($300m) just to keep going this year. Mr Wolfram Brück, the company chairman, warned yesterday that DSD could not ensure the recycling of the garbage it was collecting and called for a complete rethink of the system. Rhineland-Palatinate withdrew from the scheme this week, complaining that it was "collapsing under 8,000 tonnes of plastic garbage with nowhere to put it".

DSD was set up by industry two years ago after the introduction of an environmental law which forces manufacturers to take back and recycle packaging products.

While DSD has been successful in dealing with paper, glass and aluminium, for which facilities already exist, it is failing to find adequate outlets for plastics, which is costly and difficult to process.

By law, DSD was supposed to collect only 100,000 tonnes of plastics a year until 1995, but the scheme has worked so well, it has found itself with four times as much this amount.

With landfills in Germany full to the brink, DSD has now painted itself into a corner until new recycling facilities are built. Investments are under way, most notably by RWE, the large utilities company, but DSD says this is not enough.

DSD is also criticising its own members for cheating on membership fees.

These fees allow member companies to put a green dot on their products, which are then collected by DSD, sorted out and given to recycling companies. DSD has widely portrayed the green dot, which figures on 80 per cent of consumer packaging in Germany, as a friendly pro-environment measure.

But the system's public image is now under strain as mountains of unrecycled plastic garbage increasingly appear on German television. Moreover, the company has been repeatedly attacked by green organisations for exporting abroad the rubbish it cannot recycle.

More than half of the 400,000 tonnes of plastic collected by DSD in 1992 ended up in foreign landfills, especially in developing countries.

# Ford blames price variation on currencies

By Kevin Done, Motor Industry Correspondent

FORD of Europe said yesterday it was an "almost impossible task" to harmonise new car prices across the European Community "in a market which, itself, is neither stable nor harmonised". Currency fluctuations were frustrating attempts to bring prices more into line across Europe.

It was "not reasonable to expect manufacturers to make instant price changes, possibly as great as 30 per cent, purely because of exchange rate movements".

Ford's outspoken criticism of the European Commission's move to create greater "price transparency" in the car market came as Brussels prepared for the first time to publish comparative pan-European car price lists.

Under the terms of an agreement with Brussels last year carmakers are due to publish price lists twice a year. There have been fierce complaints, from consumer organisations in Brussels and Britain particularly, that the wide divergence in European car prices has breached EC regulations.

Ford admitted yesterday that some of its prices for an identical model varied by up to 30 per cent between markets, but it blamed the divergence on the strength of the D-Mark and the weakness of the Italian lira.

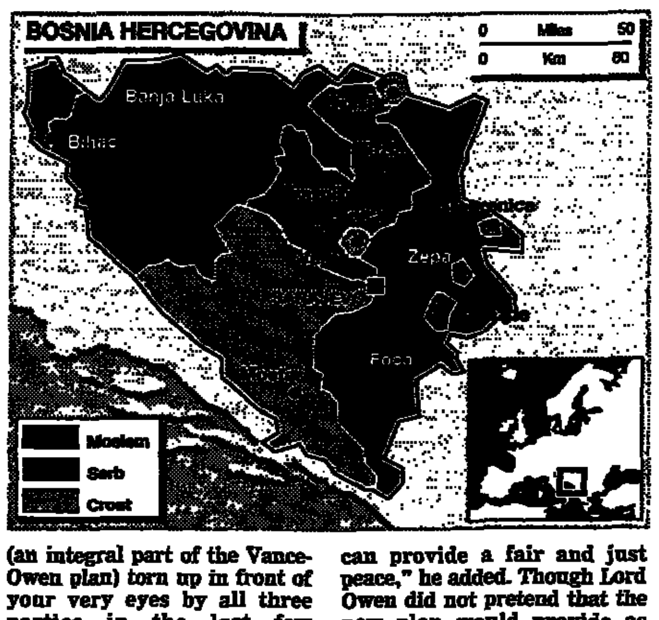
The price differences for Ford models between most markets were within the 12 and 18 per cent EC guidelines, but the price of a Fiesta small car, for example, was 30 per cent higher in Germany than in Italy (at May 1 exchange rates).

For all of its four main model ranges the highest prices were in Germany and the lowest in Italy, with UK prices in the middle of the range.

Under the terms of the "block exemption" to European competition rules, the motor industry is allowed to use a selective distribution system with exclusive dealers.

# 'Reality' buries Vance-Owen plan

By Robert Mauthner, Diplomatic Editor, in Geneva




LORD OWEN, one of the two international mediators for a peace settlement in Bosnia, yesterday pronounced the official funeral oration over the plan which he had co-authored with Mr Cyrus Vance and conceded that negotiations would now take place on the basis of a new plan to be put forward jointly by Serbia and Croatia.

Referring to the latest plan for the division of Bosnia-Hercegovina into three ethnically based mini-states representing the Serb, Moslem and Croat communities, linked to each other by a loose confederal constitution, Lord Owen said it would be "quite dishonest" to try to sell this as the Vance-Owen plan.

"But time in Bosnia-Hercegovina doesn't just move on, it deteriorates," Lord Owen said at an emotional joint news conference with his fellow mediator Mr Thorvald Stoltenberg. "You have seen the provisional provincial map (an integral part of the Vance-Owen plan) torn up in front of your very eyes by all three parties in the last few months."

Given this deterioration in the situation on the ground, there was no point in going back to the past. "It is necessary to look for anything that can provide a fair and just peace," he added. Though Lord Owen did not pretend that the new plan would provide as equitable a solution, he made no apology for contemplating other ways of getting a peace settlement.

"I think there is a tiredness of the war in Bosnia-Hercegovina and I think most people believe we have got to bring it to an end with as much honour as possible. There won't be a lot of honour and there won't be anywhere near the sort of settlement that we would ideally have liked. But I am a realist and we have to live with what's happened on the ground and try to make the best we can of a situation that has caused immense horror, misery and grief."

Both Lord Owen and Mr Stoltenberg urged the Moslems to look seriously at the new plan, which would give them a central Bosnian region between Sarajevo, Zenica and Tuzla and a separate area in the north west of the country called Bihac. It would also give the Moslems access to a free port on the Adriatic, Ploce.

The mediators denied reports that President Alija Izetbegovic had walked out in anger from his meeting with Presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia in a villa near Geneva on Wednesday, at which the new plan was discussed. Mr Stoltenberg said Mr Izetbegovic had listened calmly to all that had been said and had undertaken to consult the other members of the mixed Bosnian presidency before making a final decision on the new Serbian-Croat proposals, which are due to be presented in detail in Geneva next Wednesday.

Though Lord Owen conceded that he had failed in his mission of gaining acceptance for what he considered to be the fairest and safest deal for all three constituent peoples in Bosnia, he did not despair of saving some of its essential elements in the new peace settlement.

These included the demilitarisation of the country, which all the parties claim they accept, the monitoring of human rights and the organisation of free elections. "I have not given up on getting the maximum degree of pluralistic democracy established in Bosnia-Hercegovina," he said.

# Scenes of carnage in UN 'safe area'

By Laura Silber in Belgrade

UN military observers yesterday confirmed the utter devastation of Gorazde, the Moslem enclave in south-eastern Bosnia, after Serb forces finally allowed them to reach the region designated a "safe area" by the international community.

The team of eight monitors described a scene of "considerable destruction" in Gorazde, which has been under a Serb siege for 13 months and the target of an intense three-week offensive. Artillery attacks ceased 10 minutes after the monitors crossed Serb lines on Wednesday night, ending what was described as the heaviest day of shelling.

The monitors described as "chaotic" conditions in the local hospital, where a ratio of one doctor to 10,000 people seems to make the humanitarian situation even more appalling. Some 2,000 people have been treated for injuries which may require amputation, according to a Bosnian radio report. Local officials told the monitors that 92 people had been killed in Wednesday's assault. About 100 critically wounded people require urgent medical evacuation. Despite several air drops of emergency relief, the 70,000 people trapped in Gorazde are suffering a chronic shortages of food and medical supplies.

Gorazde's population has more than doubled as about 38,000 refugees have sought sanctuary from "ethnic cleansing" in eastern Bosnia, where Moslems were once a majority. In Belgrade, the UN High Commissioner for Refugees said said hundreds of thousands of refugees may never be able to return to their homes if the latest Geneva agreement is carried out.

"We are concerned that the plan will create units too small to be viable for the Moslems," said Ms Judith Kumin, UNHCR spokeswoman.

A Bosnian Serb soldier passing among Croat refugees yesterday. They have fled a Moslem attack on the nearby town of Novi Travnik

# Ukrainians to have final say on future

By Chrystia Freeland in Kiev

**The presidents of Ukraine and Russia yesterday opted for a rapid carve-up of the Black Sea fleet following the collapse of an earlier agreement to delay dividing up the fleet until 1995, Leyla Boulton reports from Moscow. "The two sides from September 1993 will begin the practical formation of a Russian navy and a Ukrainian navy," said a statement after a summit outside Moscow. The fleet will be split on a "50-50" basis. As a sweetener, Russia agreed to help maintain the port of Sevastopol.**

THE Ukrainian parliament, in an effort to appease striking miners, yesterday voted to hold a referendum of confidence in both the president and parliament.

The agreement came a day after President Leonid Kravchuk unilaterally assumed personal control over the government in an effort to stem Ukraine's spiralling social and economic crisis.

The presidential decree, issued late on Wednesday night, also appointed the reformist prime minister, Mr Leonid Kuchma, to head an "emergency committee" to run the economy. Mr Kuchma's appointment suggests that he and Mr Kravchuk may have reached a political compromise after being locked in a bitter power struggle for the past month. The ex-communist dominated parliament has rejected the additional powers and some MPs said they would challenge the president's decree in today's scheduled parliamentary session.

"This is against the constitution," said Mr Stepan Khmara, a radical nationalist MP from western Ukraine. "Parliament will do its best to overthrow it."

Another MP, from the east of the country, compared Mr Kravchuk's decree to the failed communist coup in Russia in August, 1991.

Meanwhile, the referendum, to be held on September 26, will ask voters if they have confidence in the president and parliament.

Early parliamentary or presidential elections are likely to be called in the event of a no vote.

Both Mr Kravchuk and the parliament are widely unpopular. However, the president, perhaps hoping for a re-run of his Russian counterpart's victory in the April referendum, supported the call by the striking miners for a nationwide ballot. Parliament has gone along with the idea more in the hope that agreement would end industrial action led by the miners in the east of the country which is further damaging Ukraine's already ailing economy.

The miners, whose main goal has been to force parliament to hold a referendum, have not yet called off their action.

The strike, concentrated in the largely Russian-speaking and potentially separatist regions, is being viewed in Kiev as the most serious threat to Ukraine since the Slav state became independent less than two years ago.

The conservative parliament lived up to its reputation yesterday when it approved an additional 2 trillion (million million) coupons of credits, to be issued to subsidise meat and milk prices. The move, a concession to Ukraine's powerful agricultural lobby, is likely to further stimulate inflation, with prices rising by more than 30 per cent a month.

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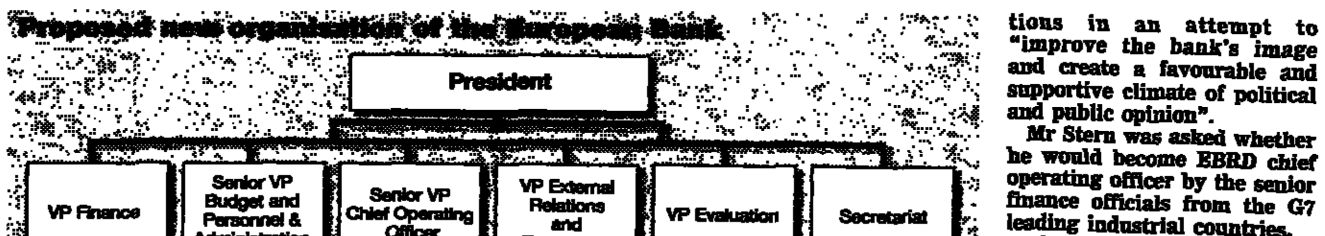
# Attali proposes EBRD shake-up

By Robert Peston, Banking Editor

Proposed new organisation of the European Bank




MR Jacques Attali, the president of the European Bank for Reconstruction and Development, is proposing to create three new senior posts at the bank and radically change the functions of a fourth, in a far-reaching management reorganisation.

His most radical proposal, contained in a paper submitted to the bank's board this week, is that the development and merchant banking departments should be merged and then split into three "operations departments", covering north central Europe, south central Europe and the former Soviet Union.

It would be supported by an operations services group which would deal with co-operation funds and technical co-operation, co-financing, loan syndication, education and training and the environmental appraisal group.

Each operations department would report to a new senior vice-president, who would also have the title of chief operating officer. On Monday Mr Attali told the 23 directors representing the 54 countries and agencies which own the bank that Mr Ernest Stern, the World Bank's number two, had "agreed in principle" to be chief operating officer.

The board is deeply divided on whether to press ahead with the reorganisation, and how quickly to do so. Some directors are concerned that Mr Attali and board representatives from France, Germany and the UK want to pre-empt a debate about whether Mr Attali should remain president.

Under Mr Attali's plan, one of the new operations departments would cover north central Europe, with responsibility for Poland, the Czech Republic, Slovakia, Belarus, Lithuania, Latvia and Estonia.

A south central Europe department would cover Hungary, Ukraine, Moldova, Romania, Bulgaria, Macedonia, Albania, Croatia and Slovenia. The third department would deal with Russia, Armenia, Georgia and the six central Asian republics.

Mr Attali said the streamlining would have a number of benefits:

- It would eliminate some duplication of activities between the current merchant banking and development banking departments.
- It would help the bank "identify and...respond to clients' priorities by creating a clear interface with private enterprises, government and public enterprises".
- It would "ensure a more balanced allocation of effort and staffing resources among countries".

At present the EBRD's merchant banking arm concentrates on financing private sector projects, while the development banking department deals with improving the infrastructure of central and eastern Europe. However, a review recently commissioned by Mr Attali complained that there was overlap between the two departments and that too little attention was paid to the needs of each country in EBRD assessments of projects.

Mr Attali also wants to create a second senior vice-presidency in charge of the budget process, personnel and administration. This would probably be filled by Mr Mario Sarcinelli, vice-president in charge of development banking.

The vice-president in charge of finance, Mr Anders Ljungh, would thus lose responsibility for the budget and policy planning activities but retain the treasury, credit and financial control functions.

Mr Attali also wants to create a new vice-presidency for external and economic relations in an attempt to "improve the bank's image and create a favourable and supportive climate of political and public opinion".

Mr Stern was asked whether he would become EBRD chief operating officer by the senior finance officials from the G7 leading industrial countries.

The directors representing the European members of the G7, France, Germany and the UK, argued on Monday that the reorganisation should be pushed through as quickly as possible. However, most other directors resent what they see as the G7's high-handed intervention. They believe any decision should be delayed until after July 15, when the bank's audit committee reports to the board on charges that the bank failed to control expenditure on furnishing its London headquarters and other items.

Many directors are concerned the EBRD will evolve into the European arm of the World Bank. They believe it is losing its unique identity of sponsoring private sector development in the former Soviet bloc. They say the reorganisation is a general policy decision needing two-thirds approval by shareholders. The G7 countries control 54 per cent of the shares.

# Scandal touches Berlusconi executive

By Haig Simonian in Milan

THE tentacles of Italy's corruption scandal yesterday embraced Mr Silvio Berlusconi's Fininvest group with the issue of a cautionary warrant against one of its executives.

Mr Aldo Brancher, responsible for special projects at the Fininvest communications subsidiary but understood to be a lobbyist, is being sought by Milan magistrates for questioning about irregularities at the Ministry of Health.

The warrant, for illegal funding of political parties, follows allegations by Mr Giovanni Marone, secretary to a former health minister, that Fininvest paid L300m ($200,000) in kickbacks on a television advertising contract during the government's anti-Aids campaign.

The money allegedly went to Mr Francesco De Lorenzo, a former health minister, who this year resigned after his father, a prominent Naples doctor and ex-politician, was investigated on corruption allegations. Magistrates subsequently informed Mr De Lorenzo, a senior member of the small Liberal party, he was under investigation in connection with a Naples jobs-for-votes scandal.

The involvement of Mr Brancher in the corruption scandal is a big setback for Mr Berlusconi, who has faced growing difficulties following a government decision to re-examine Italy's controversial revision of broadcasting frequencies. Fininvest, which controls three TV channels, has about 45 per cent of the audience.

Mr Berlusconi has been complaining of a media campaign against him. In recent weeks, he has been targeted by parts of the media controlled by Mr Carlo De Benedetti, an arch-rival. The attacks followed reports that Mr Davide Giacalone, an adviser to a former posts minister, subsequently obtained a L420bn consultancy with Fininvest. Mr Giacalone assisted Mr Oscar Mammi, the posts minister responsible for the broadcasting frequency allocations now due to be re-examined.

# Delors for summit despite illness

By Lionel Barber in Brussels

EUROPEAN Commission president, Mr Jacques Delors, is on extended leave after suffering an attack of sciatica, but he is still expected to attend Monday's EC summit in Copenhagen.

Mr Delors cancelled a pre-summit news conference scheduled for today in Brussels, his fourth day off work. But aides quashed rumours that he might be too sick to deliver a presentation on Europe's unemployment crisis in Copenhagen. Mr Bruno de Thomas, his chief spokesman, said he could not imagine Mr Delors missing the summit.

Mr Delors' views on why the EC has failed to create jobs at the same rate as the US and Asia is expected to be one of the highlights of the summit. Diplomats are watching to see if Mr Delors is ready to countenance some reduction in Europe's generous social provisions in order to improve European competitiveness.

Aides said this week that he would take an honest approach, offering analysis rather than prescriptions.

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FINANCIAL TIMES SURVEY

# CHEMICALS AND THE ENVIRONMENT

SECTION III

Friday June 18 1993

BASF's ethylene plant in Antwerp, Belgium, should soon be producing 250,000 tonnes a year

If the chemical industry fails to respond to environmental pressure, legislation in the developed world could impose further curbs. So it has launched a global initiative called Responsible Care to regain public confidence. **Paul Abrahams** reports

# Stark choice – clean up or be wiped out

Seveso in 1976, Bhopal in 1984, Basle in 1986. The litany of chemical companies' accidents makes doleful reading. The sector's poor environmental performance has been directly responsible for its reputation ebbing to an all-time low. In the UK, approval for the chemical industry has declined from more than 50 per cent at the beginning of the 1980s to less than 20 per cent last year. The declining popularity of its chemical companies has been mirrored by that of its counterparts around the globe.

"The chemical sector is rightfully cast among the problem industries," concedes Mr Nicholas Reding, vice-chairman of Monsanto.

A consensus has formed that the industry must boost both its performance and image. "It must improve its environmental performance not because it is being altruistic – although as corporate citizens we do care. It must improve out of self-interest," says Mr Mike LaGraff, BP Chemicals manager for health, safety and the environment.

If the industry fails to clean up its act, it runs the risk of being legislated out of existence, argues Mr David Buzzelli, director responsible for the environment at Dow Chemical.

"Failure to improve both performance and image will be very expensive. Planning approvals for investment will be refused, making sites uneconomic. Plants will be driven further from employees and markets, adding further to costs. The chemicals industry could be legislated to the point of economic non-viability," he says.

Ever-increasing volumes of environmentally-related legislation and bureaucracy are adding to costs at a time when chemicals groups can least afford them. Yet the groups plead that legislation is seldom the most effective or appropriate way of improving the sector's environmental performance.

"The answer to the problem is not more regulation. Command and control will fail because regulations seldom achieve what they set out to accomplish. All that happens is that lawyers become involved, taking up time and money, without solving the problem," says Mr Reding at Monsanto.

The industry's riposte is corporate environmentalism. "We must move from a command and control phase to a voluntary phase," argues Mr Reding.

"Self-regulation is best because each company knows its own processes and the most effective way of reducing emissions," says Mr Jacques Puéchal, president of Cefic, the European Council of the Chemical Industry, and chief executive of Elf-Atochem. "That is the most practical approach and the least costly to the business. That also means the consumer will not have to pay more and more for stupid legislation. We have to prove to society that the best way to solve a problem is before it hits the table of the bureaucrats.

"We are trying to be pro-active. We have to show that the sector can make progress by itself," says Mr Puéchal.

Around the world, the industry is trying to add some shine to its tarnished image and regain public trust through its programme of Responsible Care. This involves measuring emissions in a credible way, improving environmental performance and then communicating that performance, warts and all, to the public. The programme was initially created by the Canadian chemical industry, was adopted by the US, migrated over the Atlantic to Europe, and has now proliferated worldwide.

The path to Responsible Care has not been easy, however. Convincing companies in the industry that it was worth the effort and often considerable expense was far from simple. "It was agony for the first two years," admits Mr John Cox, director-general of the UK's Chemical Industries Association. "But I think the UK is now leading the global movement both on performance indicators and management standards."

The key to the process is measuring and then improving environmental performance. "We don't want to put out propaganda. There is no point communicating, if you don't have anything of substance to communicate," warns Mr Kasper Eigenmann, head of corporate unit safety and environment at Ciba.

Most companies responded to increasing environmental pressure during the 1970s by investing in end-of-pipe technologies. Now they are moving towards waste-minimisation. "Treating waste is expensive. We are trying to avoid the expense of generating the waste and the cost in the first place," says Mr Eigenmann. Some groups have adopted the concept as their mantra. Dow, for example, has a programme called Wrap – waste reduction always pays.

Such measures are not always remunerative, however. "It would be naive to say that reducing pollution always pays," says Mr Jürgen Müller, executive board member for the environment at Sandoz.

Responsible Care also requires changes in organisational culture. "It is not just a question of following a set of rules. It's like driving a car. There are a lot of regulations about how to drive, but we still have bad drivers. In the same way you can have companies that comply with regulations, but are not environmentally sound. An integral part of Responsible Care is a change in culture within the organisation," says Mr Puéchal.

"This cultural leap is the biggest problem that companies face," argues Mr Jacques Salamitou, director of environment at Rhône-Poulenc. "Site managers are fine because they have to deal with the local community. The problem is the business managers because they are not so exposed to the public."

Much of this historically secretive industry is now trying to become more open in its communications with local communities and the general public. At the end of this month, the Chemical Industries Association will launch a spectacular publicity campaign, highlighting the progress it believes it has made at 400 sites around the UK. The initiative has been cited as a model for other sectors. Indeed, the association believes other industries will have to follow the example of the chemicals industry.

However, many groups are still struggling with the amount of information to provide on an individual company basis. BP Chemicals has taken a lead, publishing details of the group's entire emissions. Others, such as ICI, provide details of what they consider the most significant emissions. A few publish only indices of their emissions, insisting that trends rather than absolute figures provide a better indication of performance. Many still do not publish any details at all.

The consequences of full disclosure may be less bad than many groups think. "There were some doubts that we would provide environmental groups with information, but the external reaction has been generally good," says Mr Reding at Monsanto.

Many groups still grapple with how much information to provide on their environmental spending. Mr Joe Draper, health, safety and environment manager at Shell Chemicals in the UK, argues that defining what is related to the environment in a new plant and what is merely best practice is almost impossible. Some groups do *not* differentiate between spending on health, safety and the environment.

"It's difficult internally to arrive at consistent numbers, but comparing one group's spending with another there's a great deal of inexactitude," he explains.

Compiling such data is useful (see table, next page) because it demonstrates the extent of the industry's spending on the environment. It is far from clear whether present levels of spending are sustainable, given the financial plight afflicting the industry. Even at the beginning of last year, before the full impact of the slowdown of the German economy had become apparent, the three chemicals giants, BASF, Bayer and Hoechst, warned the cost of domestic environmental legislation threatened to cripple the German industry.

At Ciba in Switzerland, Mr Eigenmann says: "I think the high-point – at about 25 per cent of all capital expenditure – has been reached. We can't repeat what we have just done. It may be feasible technically, but financially it's just not possible. We will now probably settle at about 15 per cent."

The problem for the industry is that the environmental goalposts continue to move. That is partly because the sector has failed to correct misunderstandings about chemicals.

"People are unfamiliar with chemicals. They call for the banning of chemicals – not even toxic chemicals. We have not done enough to show the contribution of the industry to society," says Mr LaGraff at BP Chemicals.

Given that much of the population perceives only the risk of chemicals and fails to balance that risk with their benefits, every accident brings the threat of yet more legislation, adding costs and aggravating still further the financial crisis gripping the sector. In spite of the cost of improving environmental performance, the industry cannot afford not to clean up its act.

There is little doubt that the chemical industry has a long haul before it. "It's frustrating. There are no overnight solutions," says Mr Cox at the CIA. "We have to show that the chemical industry is a responsible part of the community. We still have a long way to go."

**IN THIS SURVEY**



*Editorial production: Gabriel Bowman*

FINANCIAL TIMES
Friday June 18 1993



Unemployment falls for fourth month and inflation rate stays at 1.3%

# Signs of sustained UK recovery

By Peter Norman, Peter Marsh and Kevin Done in London

ANOTHER fall in unemployment and subdued retail price rises in May yesterday raised hopes that Britain might be on the way to achieving a sustained, non-inflationary economic recovery.

Seasonally adjusted unemployment fell by 26,100 to 2.914m between April and May. The fourth consecutive monthly decline in unemployment cut the seasonally adjusted jobless rate to 10.4 per cent last month from 10.5 per cent in April and its winter peak of 10.6 per cent.

The unadjusted total of unemployed people claiming benefit recorded its biggest monthly decline since October 1988. It dropped by 84,000 to 2.917m.

Other economic news also helped dispel fears that the recovery might be faltering. UK car production jumped by 23.8 per cent in May to reach the highest total for the month for 16 years. While commercial vehicle production has remained weak, car output has risen by 9.1 per cent to 608,169 in the first five months of the year in contrast to the steep fall in continental Europe.

The year-on-year increase in the retail prices index last month was 1.3 per cent, the same as in April. The RPI excluding mortgage interest payments, the government's chosen measure of underlying inflation, rose 2.8 per cent in the year to May after a 2.9 per cent rise in April.

Yesterday's figures pushed up prices of government securities and gave a boost to sterling, which closed 1.5 pfennigs higher at DM2.51 and up 1.15 cents at $1.5155. However, equities slipped back as investors took the view that Mr Kenneth Clarke, chancellor of the exchequer, was now less likely to cut interest rates. The FTSE-100 index closed at 2,875.7, down 7.3 points.

Mr Keith Skeoch, chief economist of James Capel, the London stockbroker, said that the jobless and inflation figures were "an indication of the recovery being relatively well sustained and robust".

Other statistics were also positive.

Average earnings, up 4 per cent in the year to April, recorded their lowest annual increase for 25 years. Manufacturing output per head rose 8 per cent in the year to April. Unit wage costs in manufacturing fell by 2.6 per cent in the year to April, in contrast to Japan, Germany, France and Italy where costs are rising.

Manufacturing employment, however, fell by 13,000 in the month to April, reversing first quarter growth and reviving fears that jobs in manufacturing would resume their long-term downward trend.

Public spending limit, Page 9

# New faces give Bundesbank look of a 'grand coalition'

By Christopher Parkes in Frankfurt

THE vacancies at the top of the Bundesbank are to be filled by candidates who are expected to maintain the bank's hardline policies but also to improve relations between Bonn and the Frankfurt monetary authorities.

Mr Johann Wilhelm Gaddum, a close associate of chancellor Helmut Kohl, is to take over as vice-president on October 1 when Mr Hans Tietmeyer moves up to replace the retiring president, Mr Helmut Schlesinger.

At the same time, Mr Edgar Meister, currently finance minister in the Rhineland-Palatinate state government, will join the bank's permanent directorate. Mr Meister, 53, a moderate member of the Social Democrat party (SPD), is known to get on well with Mr Theo Waigel, the federal finance minister.

His appointment follows the selection earlier this week of his boss, Mr Rudolf Scharping, the Rhineland-Palatinate's prime minister, as candidate for the vacant national chairmanship of the SPD. Mr Scharping is the logical choice to stand against Mr Kohl for the chancellor's job in next year's federal elections.

As one observer noted yesterday, the directorate has the characteristics of a "grand coalition" – seen by some as the most likely outcome of the elections.

Mr Gaddum, who is 63 today, also served as finance minister in the Rhineland-Palatinate in the 1970s when the state was controlled by the Christian Democrats and Mr Kohl was the state's prime minister.

The appointments, to be rubber-stamped by the cabinet, ensure a friction-free transition in the country's most important non-governmental institution, and a continuation of the Bundesbank's conservative monetary policy.

Mr Tietmeyer, long acknowledged as Mr Schlesinger's heir, and another Kohl confidant, is an authoritative international figure, and a stout proponent of monetary rigour. His official term in office will run until 1999, when he reaches 68.

● The Bundesbank said yesterday it had left its key discount and Lombard lending rates unchanged after a meeting of its policymaking council, Reuter reports from Frankfurt. The German discount rate remains at 7.25 per cent and the Lombard emergency financing rate at 8.5 per cent.

# Nadir says tapes put Watergate in shade

Continued from Page 1

mention a tape which was not backed up by verifiable proof. This is not some mishmash."

However, Mr Nadir said he had a recording of one minister saying "we know there is a conspiracy by the intelligence services but there is nothing we can do."

Mr Nadir made his claim as Lord McAlpine, former treasurer of the Conservative party, said yesterday he had made a misjudgment in accepting donations to the party from Mr Nadir, who jumped bail of £3.5m ($5.25m) six weeks ago.

Mr Nadir faces charges of theft and false accounting.

Companies associated with Mr Nadir made donations of £440,000 to the Conservative party over five years up to 1990. Mr Lord McAlpine, speaking to Britain's Independent Television News, said: "I was wrong in the matter of Mr Nadir. There's no two ways about it. I misjudged".

He added: "The truth of the matter about Mr Nadir is I didn't make a judgment at all. It was done at third hand".

Lord McAlpine recalled two meetings with Mr Nadir. He had lunch with him around the end of 1988, although he had been "unable to locate" the exact date, and he was invited to Nadir's office in September 1991.

It was possible he could have met him incidentally at other social gatherings. As a prominent donor to charities at the time, Mr Nadir would have attended many charity functions.

Earlier in the day, Mr Nadir claimed that Lord McAlpine would be made to "eat his words", referring to recent statements by Lord McAlpine that he had had little contract with Mr Nadir. "Our links were a lot more than that," Mr Nadir said.

It has also emerged that Britain's Serious Fraud Office is seeking Turkish government co-operation to allow access to the books of two Istanbul-based banks connected to Mr Nadir.

# Something goes right for Clinton

Continued from Page 1

House of Representatives, in favour of a 4.3 cents a gallon levy on petrol, diesel and most other forms of fuel used in transport.

This will generate only $24bn in revenues over the next five years, exactly a third of that projected for the energy tax. The shortfall is made up by cutting another $19bn from Medicare funding, beyond the $50bn already sought by Mr Clinton, by trimming back his tax breaks for the working poor and small business, and by assorted other micro-tax measures.

But the core of his revenue proposals, to generate more than $150bn in higher taxes on the wealthy, remains in place, strengthened in part by a 2.8 per cent surcharge on the capital gains tax on those with an income of more than $250,000 a year. However, the senators proposed that pensioners could enjoy greater incomes before their social security benefits were subject to a higher rate of tax.

The corporate tax rate rises to 35 per cent from 34 per cent, retroactive to January 1, as in the House bill, while the top individual income tax rate goes up to 39.6 per cent from 31 per cent, but only to take effect from July 1 rather than the start of the year.

The full committee, 11 Democrats and nine Republicans, began debating the bill yesterday with a view to presenting it to the Senate for a vote next week. Assuming the Democrats, with a 56-44 edge, hold together and it passes, it then goes to a tricky conference committee of both chambers to iron out differences, possibly, but probably optimistically, before the summit of the Group of Seven leading industrial nations in Tokyo starting July 7.

The Senate's approval yesterday of the campaign finance reform bill by 60 votes to 38 also came at a cost to the original Clinton proposals – the ditching of most public financing for elections – but it still includes a whole array of changes to candidate fund-raising very much in line with his blueprint.

As applied to Senate races (House rules are somewhat different) it would ban contributions by political action committees representing particular interests, prevent lobbyists from contributing to those whom they lobby, for or against, and stop the flow of political "soft money", whereby funds are directed to parties rather than individuals so as to avoid ceilings on donations.

Completing a conspicuous day for the president, the House easily voted down a Republican attempt to eviscerate US financial assistance to Russia. Also the air force planned disciplinary action against a general who had spoken disparagingly of his commander-in-chief.

There are rocks enough ahead for Mr Clinton not be able to breathe easily. But with the Democratic leadership in both houses finally asserting itself his prospects look a lot better than they did a week ago. It may be excessive to talk about a turning point in his presidency but it is at least suddenly a legitimate talking point.

## THE LEX COLUMN

# Zero hour for Zeneca

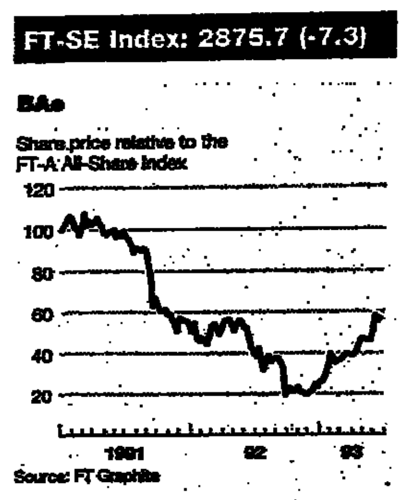
The closing of Zeneca's rights issue on Monday ends a sequence of events which started with Hanson's appearence on ICI's share register in May 1991. The story so far has generated more excitement than value. Yesterday's aggregate of ICI's and Zeneca's share prices is around 10 per cent higher than the price Hanson paid for a stake in unified ICI. The All-Share index has risen by 19 per cent over the same period. While the rights issue hangs over Zeneca, such judgments may be premature. How long the issue acts as a drag turns on how much is taken up, and whether shareholders choose to retain their stock or sell in the market.

On most measures, the 600p rights price looks fair value. A price earnings ratio of 11 times this year's forecast earnings – against a market average of 14 – is doubtless a far cry from what was envisaged when the demerger-plus-rights plan was hatched. If the scheme ever was an opportunistic attempt to raise equity for ICI as a whole on a fancy multiple, it must be considered a failure. But while institutions are re-weighting their investment portfolios away from drugs stocks – as Prudential did last week – a low multiple does not guarantee Zeneca an easy ride.

But the process of reweighting will only run so far. Once the regulatory climate is clearer which, given the complexities of the US political process may not be until the autumn, the sector should rally. Drugs companies have no divine right to trade on a multiple above the market average. Those which make headway will have to deal imaginatively with tougher price controls. If demerger really does allow Zeneca's management to run the business with more drive and vision than was possible within the corporate giant, it stands at least a fighting chance of staying with the pack.

On that basis the shares are worth holding at the rights price. As the shake-out in the drugs industry continues, though, it would be rash to expect a windfall gain. Having sold his stake in ICI at £14 a share last year, Lord Hanson may have had the best of the trade.

FT-SE Index: 2875.7 (-7.3)




Source: FT Graphite

### UK economy

After the fourth monthly fall in a row it is difficult to believe that the trend of unemployment has not turned. Doubtless Jobcentres are putting pressure on people to leave the register, and the workforce may be shrinking for other reasons too. But yesterday's figures also suggest employment is increasing. The slightly worrying aspect is that the turnround comes when average earnings are still rising at a rate as high as 4 per cent. With settlements around 3 per cent and falling, though, it could be some while before wage pressures resurface. Meanwhile, industry continues to reap large productivity gains.

Coupled with encouraging retail price figures, this is good news for the long end of the gilt market, which perceives an attractive combination of low inflation with growth that may help reduce the PSBR. The short end has to come to terms with the realisation that a rate cut is not imminent. After the latest data, the chancellor need not hurry.

This is not to say that decisions on rates will be easy. The cabinet decision to stick to existing public spending control totals next year is fairly tough. But it may leave Mr Clarke having to resort to more tax increases if growth turns out insufficient to revive tax revenues significantly. At that stage, a rate cut would be a useful option. The question is what will happen to sterling – back above DM2.50 yesterday – if he waits till the budget. The Bundesbank is moving at a snail's pace, but even it will surely have lopped some more off the Lombard rate by November.

### Severn Trent

The profits of a regulated water utility can go down as well as up. Without a timely reduction in the annual charge taken to cover the upkeep of its sewers, Severn Trent's water business would barely have nosed ahead last year. The impact of recession on industrial demand and higher interest costs took a toll. Since Severn Trent's capital investment has peaked earlier than others in the sector, the impact of gearing on the bottom line is a taste of things to come. If that is an argument in favour of diversification, though, yesterday's figures are a poor example of how to go about it.

Biffa lost money again after interest costs. Since the acquisition was funded with fixed-rate money at 11.5 per cent, lower base rates have not improved matters. While margins are under pressure, there is limited scope for a recovery in operating profits this year. Higher prices for landfill disposal would help. But with the government's new licensing arrangements postponed, it is by no means clear that price increases will stick. One can only hope that the £3.3m spent last year touting for international business will yield a better return.

That will matter less if Severn Trent achieves a favourable outcome from next year's regulatory review, but trying to pick winners on that score looks a recipe for an early bath.

### BAe

British Aerospace's management is clearly moving on to the front foot if the imminent corporate reorganisation is any guide. The new structure is unlikely to upset BAe's banks or, by implication, the share price and is a more rational basis for a modern industrial holding company. Indeed, once it has digested the current changes, it might make sense for BAe to go further and group its overseas subsidiaries together. The confidence to tinker with the corporate structure clearly flows from success in tackling the problems which led to BAe's very own Black Wednesday last September.

Yet developments since the new team took charge are also a glaring condemnation of the past. Under Sir Roland Smith, the company grew like topsy, but management controls were sadly lacking. Perhaps an unfortunate coincidence of the secrecy in defence and slackness elsewhere proved an explosive cocktail. The board will need to use management controls to spread transparency and accountability through the group if the shock of last year is not to fade and the risk of further mishap resurface. That will be a slow business, as the enthusiasts in the stock market seem inclined to forget.

## FT WORLD WEATHER

### Europe today

A depression over Sweden will bring rain in northern and central Scandinavia. Extensive cloud cover will keep the maximum temperatures between 10C-15C. In southern Scandinavia it will be fair and mainly dry. A depression north-west of Ireland will bring clouds and rain over the British Isles. Over the low countries, Germany and Poland it will be rather cloudy with some patchy rain. In France, the Alps and the western Balkan states, it will be dry and fair. In the eastern Balkans showers will develop. Isolated showers are possible in the centre of Spain. It will be sunny in south-western Europe and temperatures will rise above 35C in south-western Spain.

### Five-day forecast

Tomorrow, showers will fall over the British Isles and southern France. By Sunday showers will develop over Denmark, Germany and north-western Portugal. Over the main part of the continent temperatures will rise this weekend, but cooler air will arrive in Spain and Portugal. Next week, low pressure from the Atlantic will influence western Europe. It will be rather cloudy with outbreaks of rain. In southern Europe it will be mainly sunny and dry. By Monday afternoon temperatures will drop in Spain.


Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 37 |
| Accra | cloudy | 28 |
| Algiers | fair | 30 |
| Amsterdam | rain | 18 |
| Athens | shower | 27 |
| Bangkok | shower | 35 |
| Barcelona | shower | 26 |
| Beijing | cloudy | 34 |
| Belfast | rain | 19 |
| Belgrade | shower | 24 |
| Berlin | rain | 19 |
| Bermuda | cloudy | 25 |
| Birmingham | rain | 19 |
| Bogota | fair | 18 |
| Bombay | shower | 27 |
| Bordeaux | sun | 29 |
| Brussels | cloudy | 21 |
| Budapest | fair | 25 |
| Buenos Aires | shower | 13 |
| Cairo | fair | 32 |
| Cape Town | fair | 17 |
| Caracas | cloudy | 27 |
| Chicago | thund | 30 |
| Cologne | cloudy | 23 |
| Copenhagen | cloudy | 17 |
| D' Salaam | fair | 28 |
| Dakar | fair | 28 |
| Dallas | cloudy | 32 |
| Darwin | fair | 31 |
| Delhi | sun | 42 |
| Dubai | sun | 38 |
| Dublin | rain | 19 |
| Dubrovnik | fair | 29 |
| Edinburgh | rain | 18 |
| Faro | sun | 29 |
| Frankfurt | fair | 25 |
| Geneva | fair | 27 |
| Glasgow | rain | 18 |
| Hamburg | rain | 17 |
| Helsinki | shower | 18 |
| Hong Kong | thund | 29 |
| Honolulu | fair | 30 |
| Isle of Man | rain | 17 |
| Istanbul | fair | 23 |
| Jersey | cloudy | 17 |
| Karachi | fair | 36 |
| Kuwait | sun | 40 |
| La Paz | fair | 18 |
| Las Palmas | sun | 28 |
| Lisbon | sun | 30 |
| London | shower | 21 |
| Los Angeles | sun | 29 |
| Luxembourg | fair | 22 |
| Lyon | fair | 27 |
| Madeira | sun | 25 |
| Madrid | shower | 33 |
| Majorca | fair | 31 |
| Malta | fair | 29 |
| Manchester | rain | 19 |
| Manila | fair | 34 |
| Melbourne | fair | 14 |
| Mexico City | fair | 24 |
| Miami | shower | 31 |
| Milan | fair | 30 |
| Montreal | shower | 23 |
| Moscow | shower | 21 |
| Munich | fair | 25 |
| Nairobi | fair | 23 |
| Naples | fair | 29 |
| Nassau | thund | 31 |
| New York | shower | 33 |
| Nice | fair | 25 |
| Nicosia | fair | 31 |
| Oslo | fair | 19 |
| Paris | fair | 25 |
| Perth | shower | 18 |
| Prague | fair | 21 |
| R' de Janeiro | shower | 24 |
| Rangoon | shower | 30 |
| Reykjavik | fair | 12 |
| Riyadh | sun | 41 |
| Rome | sun | 28 |
| S' Francisco | sun | 26 |
| Seoul | thund | 27 |
| Singapore | cloudy | 31 |
| Stockholm | fair | 18 |
| Strasbourg | fair | 27 |
| Sydney | fair | 16 |
| Tel Aviv | sun | 29 |
| Tokyo | fair | 27 |
| Toronto | rain | 23 |
| Tunis | shower | 32 |
| Vancouver | cloudy | 23 |
| Venice | fair | 26 |
| Vienna | fair | 25 |
| Warsaw | rain | 20 |
| Washington | fair | 33 |
| Wellington | shower | 13 |
| Winnipeg | sun | 23 |
| Zurich | cloudy | 26 |

FINANCIAL TIMES
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# Reforming Japan

JUST A few weeks ago, it would have seemed implausible, to say the least, that a Japanese government could be brought to the brink of collapse over the question of electoral reform. The fact that it has been, with a no-confidence motion from opposition parties being voted on today, is a sign of how far the issue has moved up the political agenda. It is unlikely to go away, whether the Miyazawa cabinet survives or is forced to call elections, thus jeopardising the ruling Liberal Democratic Party's majority in the lower house of parliament for the first time since 1955.

Cynics will say that the struggle now unfolding between conservatives and reformers in the LDP is just another of the factional fights that are the party's life blood. Since the mid-1970s it has been strengthened by numerous challenges from reformist groups because it has eventually embraced their demands and their supporters. The LDP has succeeded partly by delivering sustained economic growth, but also by extending its reach from its original conservative rural constituencies into urban areas. Its instincts for survival should never be underestimated.

Yet there are three reasons for thinking that reform is now a real issue. First, many Japanese politicians, business leaders and bureaucrats believe reformed political institutions are needed for Japan to fulfil a larger world role. Second, the Japanese public's disaffection with political corruption has grown with successive scandals: it wants reforms which will deliver less corrupt politicians. Third, neither main party is fully able to give voice to new currents in Japanese society. The Social Democratic Party's largely unreformed socialist ideology makes it an unelectable opposition. The LDP's younger politicians, representing relatively cosmopolitan urban dwellers, are constrained by older representatives of rural constituencies bred on protectionism and pork barrel public works spending.

Many younger politicians want reforms which will encourage a split in the LDP and create a modernising centrist opposition party, which would promote liberalisation of markets at home and free trade by standing up to Japanese farming interests. In theory such an opposition could displace the socialists, and mount a challenge to the conservatives who would remain in the LDP.

That may not, of course, be the immediate result of the sort of electoral reforms that have recently been mooted. The replacement of large, multi-member constituencies by smaller, single-seat constituencies, for example, could further strengthen the LDP at the expense of smaller parties. Yet the case for making Japanese politics less corrupt and more transparent, less parochial and more outward looking, is becoming irresistible. Even if the current crisis passes, the pressure for reform is bound to arise again in another form.

# Further up creek

BY DITHERING over the future of Rosyth and Devonport, the dockyards where the navy's ships are overhauled, the government has only stoked up public controversy and made its own decision harder. The search to minimise political damage risks producing an unsatisfactory compromise.

A decision has been forced by the need for updated facilities to refuel and refit nuclear-powered submarines, including a dock big enough for the new Trident ballistic missile vessels. Since the ministry now envisages a fleet of no more than 16 submarines, it wants just one site to carry out this vital part of the yards' workload.

A strong case can be made for either of the privately managed dockyards. Devonport is bigger, part of a larger naval complex than Rosyth's, and argues it can achieve greater efficiency. On the other hand, Rosyth has always looked after Britain's Polaris submarines, is not far by land from the Trident base at Faslane, on the other side of Scotland, and was originally earmarked for the Trident work.

Both yards are the dominant employers in unemployment blackspots. But there is no getting around the implications of reduced defence requirements, either in the dockyards or in the private-sector shipbuilders. The outcry over Swan Hunter on Tyneside, in receivership after losing a contract bid last month, cannot change the sad reality that the UK has at least one naval shipbuilder too many. It probably also has twice the specialised refitting capacity it needs.

The ministry wants maximum savings and as much competition as possible. These are not as compatible as might appear. There is little doubt among top defence officials that the greatest efficiency would be obtained by consolidating the £500m-a-year refit programme in a single yard.

The impact on the losing region would of course have financial as well as political implications, since it would require large-scale emergency aid. In any event, it is a nettle the government is evidently not prepared to grasp. Mr Malcolm Rifkind, the defence secretary, has pledged to keep both yards open, in order to maintain competition for surface ships. But the "healthy competitive structure" he envisages is unlikely to come about. Having committed itself to both yards, the government will have to guarantee work to the yard that loses the submarine contest, at least for a period.

The navy will also have lost an opportunity to change the way it handles the servicing of its frigates and smaller warships. Nuclear submarines require extensive periods in dock, but the modern surface vessels could be maintained with frequent mini-refits.

The emerging compromise is designed to keep down short-term costs and share job cuts between the two yards. But it is one in which neither of the two communities, nor the navy, nor in the longer run the taxpayer, will be well-served.

# Ukraine control

AS THE Ukrainian government has moved to take control of many of the nuclear weapons on its territory, so President Leonid Kravchuk has unilaterally assumed personal command over the government, putting the reformist prime minister, Mr Leonid Kuchma, in charge of a special emergency economic committee. But Ukraine's new team will have to act rapidly if it is to halt the country's slide towards economic disaster and pacify an increasingly restive population.

While the country's leaders have been locked in a bitter struggle for power, Ukraine's planned economy has continued to disintegrate, as Russian oil prices have jumped and inter-republican trade collapsed. Inflation has accelerated to over 50 per cent a month while the country's currency has depreciated this year by over 250 per cent against the US dollar.

Ukraine's political structures are equally precarious. While Ukrainians gave an overwhelming 90 per cent endorsement to independence in the 1991 referendum, the miners' strikes, which are now engulfing the Russian-speaking eastern regions suggest that, unless sovereignty soon delivers the prosperity voters expect, their patience will run out.

The current political and economic instability would be worrying even without Ukraine's status as the only non-Russian republic which possesses an indigenous nuclear capacity. Mr Kuchma has declared that Ukraine should retain, at least temporarily, the 46 SS-24 inter-continental ballistic missiles on its territory, a proposal which parliament appears ready to embrace.

The west should resist the temptation to bully and, instead, offer financial aid in return for nuclear disarmament. The International Monetary Fund has rightly urged Russia to move to world prices for its oil. But without financial help to cushion the blow, the Ukrainian government's only alternative to inflation would be rapidly to close loss-making coalmines and heavy industry. To do so would be to court civil commotion, in which Russian nationalist politicians might be tempted to intervene.

For now, the ball is in Mr Kravchuk's court. He must show that his unilateral assumption of extra authority over the government is more than a bid for greater personal power. Mr Kuchma must be allowed to accelerate reform by assuming control over Ukraine's runaway central bank and reaffirming the commitment to liberalisation and privatisation. IMF aid can help prevent the dual threats of hyperinflation and confrontation in eastern Ukraine, but only once Mr Kravchuk and Mr Kuchma demonstrate that the money will not be wasted.

Ukraine's new leadership is playing a risky game with the west. But it does so in the knowledge that a heavily armed, but impoverished and unstable Ukraine, located next door to an unfriendly Russia, is a dangerous combination.

Corruption at all levels of Russian life is impeding the reforms that could sweep it away, says **Leyla Boulton**

# To each according to his guile

Visitors flying into Moscow confront a sign when they present their passports for inspection: "It is forbidden to offer souvenirs or money to officials."

Bribery at airports is just one sign of Russia's endemic corruption gnawing at the government, law enforcement, the armed forces, the banking system, the state-owned media and business.

Russia has always been corrupt – from early Tsarist times, when officials' wages comprised nothing but bribes, to the Soviet era, when Communist party functionaries colluded with criminal gangs in a number of ways to exploit the state monopoly over the economy.

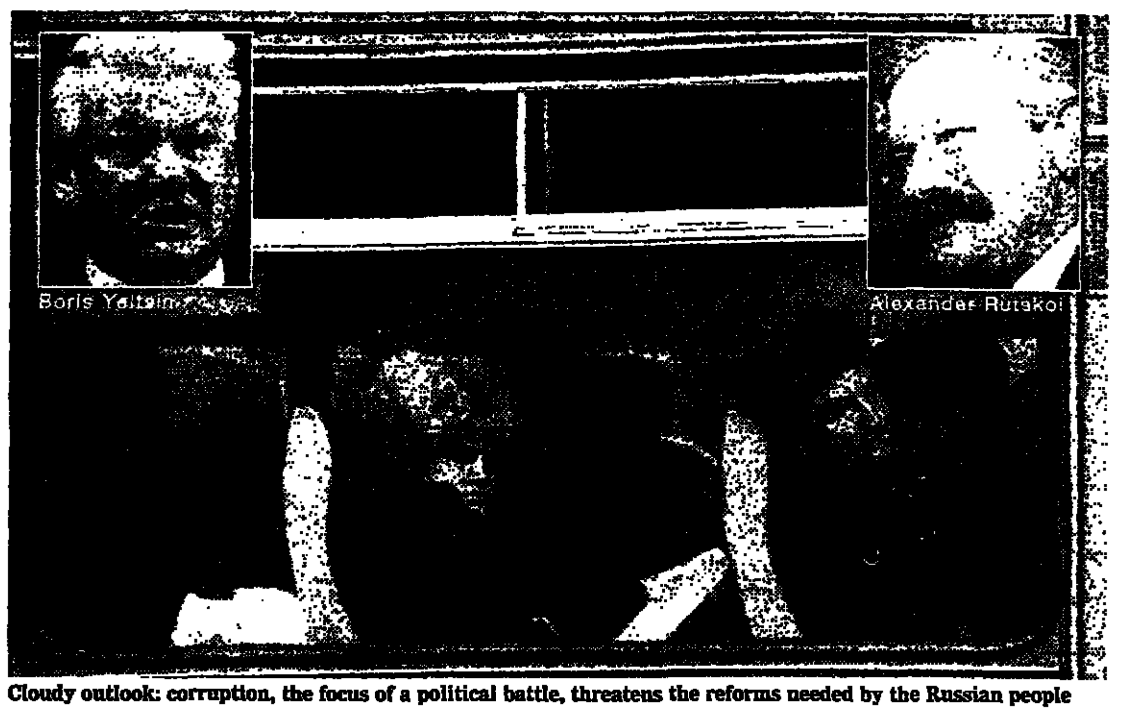
But today, official corruption and embezzlement of state property are so pervasive that Vice-President Alexander Rutskoi claims it reaches President Boris Yeltsin's entourage and threatens the foundations of the Russian state.

Mr Rutskoi said last Friday: "For 72 years, first the Communist mafia robbed the state, now the democratic mafia does it." For Ms Ella Pamfilova, the social welfare minister who opposed official privileges in the old Soviet parliament, corruption is the obstacle on which market reforms "constantly stumble".

In theory, the reforms should sharply reduce opportunities for corruption by removing state controls on prices and the distribution of goods and services. But the short-term picture is different. Corruption could stall the reforms because too many officials have a vested interest in retaining control of assets and economic decision-making. And, in the early days of their implementation, the reforms, including the ambitious privatisation programme, are creating opportunities for corruption.

Some politicians fear the extent of corruption could spark a public backlash against change. "People are developing fully justified discontent which could lead to a rebellion, to the pendulum swinging back to ... 1937 [the height of Stalin's purges]," warns Mr Yuri Boldyrev, state inspector responsible for rooting out corruption in the Yeltsin administration until he was fired in March – it is widely believed to appease officials whom he was investigating.

He may be wrong about a direct political backlash, given the resignation of a sceptical Russian public. But once Russians realise the extent of the role played by corruption in economic mismanagement, their attitude may change. For instance, artificially low domestic prices for energy and other commodities are encouraging entrepreneurs, in league with corrupt officials, to make fortunes from exporting Russia's natural wealth – with little left over for tax authorities.




Cloudy outlook: corruption, the focus of a political battle, threatens the reforms needed by the Russian people

One Russian government estimate suggests budget revenues could increase threefold if export quotas and domestic price controls on energy were removed. Mr Boris Fyodorov, the radical finance minister, is looking for ways to remove quotas, free energy prices, and devise market mechanisms for transferring funds where they are most needed. It is not clear he will be allowed to succeed because of divisions in the cabinet.

In addition, corruption, along with the arbitrary behaviour of the authorities, is discouraging new investment and the emergence of small businesses. Foreign and local businessmen are exposed to demands for bribes from officials who could invent reasons to hold up projects.

The banking system, at the core of Russia's efforts to move to a market economy, is also not immune. The central bank, which controls the distribution of large amounts of cheap credits and 90 per cent of bank transfers, is open to corruption, according to its former chairman, Mr Georgy Matiukhin. He says it is possible to bribe "young female employees with a bottle of French perfume". Although he did not amplify, the arrest last week of five employees, who worked in the central bank's clearing system, on charges of diverting funds with forged transfer documents, underlines the vulnerability of a paper-based bureaucracy.

The reasons and opportunities for corruption are clear. Demoralised officials, impoverished by price liberalisation and unhindered by fears of retribution from a weakened state, are grabbing what they can to secure a comfortable future.

"The poor *chinovnik* [bureaucrat] ... is left face to face with the entrepreneur who has large amounts of money to spend," wrote Mr Yevgeny Savostianov, the deputy chief of the security ministry, as the KGB is now called. "Only spiritual giants can resist temptation in such conditions," he said, pleading for better pay and conditions for civil servants.

Several officials in charge of privatisation are being investigated for abuses despite a relatively transparent system for the disposal of state property. According to Mr Anatoly Chubais, the privatisation minister, "crime and corruption are the function of a weak state". But he argues that rapid progress in privatising large chunks of the state-owned economy will, in time, reduce opportunities for corruption.

It is no surprise that the state is described in colloquial Russian as a "kormushka" – or feeding trough – for corrupt officials.

The extent of the illegalities and mismanagement have raised fears that western aid for Russian reforms will simply be wasted. But Mr Mario Blejer, a senior World Bank economist and frequent visitor to the former Soviet Union, says that corruption cannot be an argument for withholding aid. He argues, like many others, that the west can best help by continuing to make large-scale assistance conditional on the reduction of state controls and other economic reforms.

The reforms would also help stem capital flight. "When stable conditions arise for investment in Russia, Russian businessmen will be the first to bring their money back to Russia," predicts Mr Blejer.

Creating the stable economic conditions which would make corruption less attractive means a struggle on three main fronts. One is institutional reform. A second is synchronising the different reform elements, such as liberalisation, demonopolisation and stabilisation. The third is creating a competent government.

Some headway is being made in building the institutions and laws needed to combat corruption. Legislation now before parliament defines corruption for the first time – as "the use of an official position ... for the illegal gain of material and any other benefits ... and also the offering of these benefits". It also requires officials to declare their revenues, place their assets in trust while they are in office, and bans them from simultaneously working for private companies.

But institutional reforms will fail if attempted in isolation. Mr Blejer believes two Latin American examples are appropriate to the Russian case. "Argentina and Mexico were corrupt from top to bottom. But the problem was largely solved by reducing the [bureaucratic] controls that people could exercise on others," he says.

Having taken over the fight against corruption from his vice-president, Mr Yeltsin has yet to demonstrate that he has the political will to tackle the problem. General Aslanbek Aslakhanov, a former police chief who is now the head of parliament's committee for law and order, complains: "At least in the old days we arrested people. Now you can even read in the newspapers about officials giving away buildings for personal gain and nobody could care less." Indeed, until now, corruption allegations have been mostly used by politicians to discredit rivals.

Mr Nikolai Fyodorov, the former justice minister, wrote in Moscow News last week that, when he told Mr Yeltsin about a deputy prime minister who had "committed a crime in the United States", the embattled leader had replied: "Never mind, he's one of ours and he is very energetic."

When forced to choose, Mr Yeltsin has tended to put officials' loyalty to him wabove their ability to deliver decisive policies and clean government. His recent referendum victory gave him a mandate to pursue radical political and economic reforms. But the evidence so far suggests that any success against corruption is likely to be a result of economic improvements rather than a result of legislation and enforcement by the government.

# Maybe not even jam for east Europe

PERSONAL VIEW

Next Monday in Copenhagen, the EC Commission will propose to the European summit improvements in economic and political relations with central and eastern Europe. This is an attempt to deal with increased dissatisfaction with the European agreements concluded during the past 18 months with Bulgaria, the Czech Republic, Hungary, Poland, Slovakia and Romania.

The improvements include some rather minor acceleration in the trade liberalisation timetable, increased political co-operation, better aid procedures and, most importantly, a much stronger commitment to eventual EC membership. The weaknesses of the trade concessions, however, undermine both immediate export and growth prospects in central and eastern Europe and, in the longer term, the very objective of EC membership.

Two categories of protection give particular cause for concern: trade in so-called sensitive products, notably agriculture, textiles and steel; and anti-dumping and safeguards clauses (known as contingent protection).

Agriculture, textiles and steel are significant in EC trade with eastern Europe and current protectionist measures are long lasting. On agriculture, Common Agricultural Policy protection is broadly equivalent to 100 per cent tariffs and only very minor concessions are given. On textiles, multi-fibre arrangement quotas still in place will only begin to be dismantled once the Uruguay round is settled and there will be a special safeguard clause. Steel is protected by the general safeguard clause plus special safeguard clauses for the Balkan countries.

The Commission proposed speeding up cuts in some EC duties and the rate at which reduced-levy quotas on farm goods are increased; changing some tariff quotas to tariff ceilings with discretionary tariffs; and relaxing rules of origin so goods from other eastern European associates and the European Free Trade Association countries count as local content.

These are welcome, if minor, improvements, though at the Foreign Affairs Council on June 9 they were weakened further by the removal of the proposed shift from tariff quotas to ceilings and by putting aside relaxation of rules of origin for later consideration.

I contend that the Commission and member states have not properly addressed the issues in eastern Europe. Trade is what is important.

**The Commission and member states have not properly addressed the issues at stake**

Liberalisation need not harm EC workers if accompanied by sensible compensation policies and will in fact benefit EC export industries.

For the east Europeans the sensitive products already represent between 25 per cent and 40 per cent of exports to the EC. They are where short-term competitive advantage lies. The contingent protection provisions will stymie the export potential in new industries. Thus the Europe agreements help freeze the structure of industry. This is significant because neither aid nor private capital flows is likely to provide the foreign exchange necessary to fund foreign capital goods needed to re-tool industry. Only increased exports and domestic savings can do that.

Significant liberalisation of eastern European trade in sensitive products should not cause notable damage to EC producers. Savings to EC consumers and taxpayers are enough to compensate for producers' losses. Evidence suggests that eastern European imports, including into the former Soviet Union, could expand fourfold to Ecu500bn by 2010. Trade restrictions now, though, will stop it happening. They will slow growth and hence delay and perhaps prevent accession to the EC – the only prize the Community seems willing to offer.

What should be done? I would put forward five proposals. Increase levy-free quotas for agricultural goods. Liberalise textile quotas and reduce the timetable from five to three years. Make a commitment now to no new safeguard quotas on steel. Take advantage of the east Europeans' implementation of EC competition law by the mid-1990s and offer to suspend anti-dumping and safeguard clauses once that is done to the Commission's satisfaction. Finally, relax the rules of origin as proposed in the Commission paper.

This agenda will offer immediate and long-lasting advantages to east European traders. It increases prospects for growth in eastern European countries and hence the probability that they will become major EC markets as well as EC members. Without such liberalisation there is a danger that EC membership will become an unattainable goal. The improved EC commitment to membership without significant liberalisation is a promise of jam tomorrow and possibly not even that.

**Jim Rollo**

*The author is head of international economics programme at the Royal Institute for International Affairs*

# OBSERVER

## Greek tug of war

■ The Russian navy has just sent out an urgent SOS. Two of the biggest salvage tugs in the world have gone missing and it wants them back. If anyone spots them please contact V Eryomin, deputy CINC of the Russian navy in Moscow.

In fact the two tugs – Giant and Challenger – are not hard to find. They are holed up in Greece where they are the showpieces of the Tsavliris brothers' fast growing salvage fleet. The family announced the acquisition back in March.

However, the Russian navy believes it still owns the tugs and has warned international banks against taking out mortgages on the vessels. Like much else in Russia, it is all the fault of private enterprise. To earn extra money, the Russian navy leased the tugs to a privately-run shipping company and matters seem to have got a bit out of hand. According to a circular that the Russians have sent to international banks, the tugs were then re-registered in Malta with fake documents and have now resurfaced in the Tsavliris fleet.

Understandably, the Tsavliris family is rather upset by the broadside from the Russian navy. "We are bona fide operators. We cannot afford not to be", says George Tsavliris, adding that "we have dotted every I and crossed every T". Let's hope that the Russian navy doesn't take the law into its own hands and send one of its out-of-work battleships to settle the legal dispute.

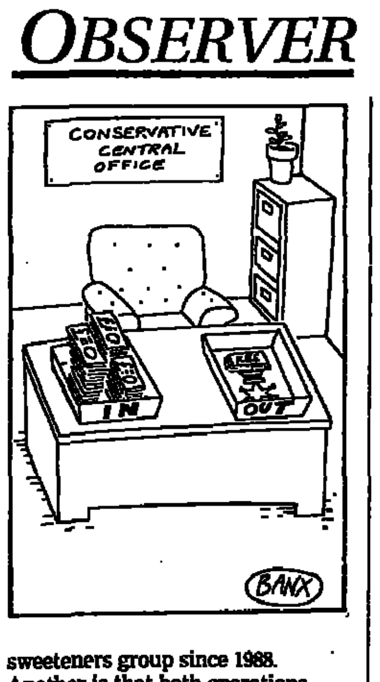
## Reunion

■ Brian Baldock, aside from being deputy chairman of Guinness, is also chairman of the Lord's Taverners, and Wednesday's eve of test match dinner was supposed to be his big night. So imagine his feelings on spotting his former boss, ex-jail bird Ernest Saunders, not only among the guests but bang next door to one of the two Guinness tables. The two apparently had not met since Saunders' ignominious exit in 1986. Given that Baldock owes his job at Guinness to Saunders, it was good to see Baldock shake the old rogue warmly by the hand.

## Booker's snap

■ Observer would hate to sound a sour note about Booker's brand new chief executive, Charles Bowen. But has anyone spotted the superficial similarities between Booker's new ceo and Tate & Lyle's recently departed head honcho, Stephen Brown? Brown didn't even last a year in the job.

One thing both companies obviously have in common is Jonathan Taylor, now chairman of Booker and a non-executive director of the sugar and




sweeteners group since 1988. Another is that both operations are in the agribusiness, a third is that each appointee is coming from Canada. Finally, even the names of the ceo's are only one letter different.

But that is where the similarities stop. For a start, Brown was on a luxury three-year rolling contract, while Bowen has a fixed term. Bowen comes from a food industry background but he has also run lots of diverse businesses which is what Booker is all about. Brown, by contrast, was imported from Alcan, a highly focused company making aluminium.

Further, it would be hard to find two more dissimilar chairmen than the laid-back Taylor and the interfering Neil Shaw.

## EC flagman

■ Will the European Commission pick an insider to replace John Drew, who has stepped down from his job as the EC's number one flag-waver in London?

Although it is a pretty well-paid post and has a nice office, the job has its drawbacks. The UK has hardly been at the forefront of the European movement over the last year or two and the EC's London outpost been under attack from all sides. A recent report slammed the office's organisation and Brussels feels that it has not been doing enough to beat the drum. A lot is expected of whomever gets the job.

Drew was an outsider – he was director of European affairs at Touche Ross – and this time around there is a strong lobby in Brussels for his replacement to be an insider. Drew's deputy, Jeff Martin, is one possibility. But it sounds as if Sir Leon Brittan, the senior of the two UK commissioners, wants a fresh face who will raise the EC's low profile in London. An ideal job, perhaps, for an out-of-work Tory MP who has given up hope of being re-elected? Or even Labour's ex-leader Neil Kinnock?

## Shuttle gossip

■ Never let it be said that London is a graveyard of a posting these days for aspiring foreign diplomats. Yoav Biran, Israel's ambassador to the Court of St James these past four and a half years, is moving on soon to a pivotal position in his country's foreign ministry: deputy director-general in charge of the Middle East and the peace process.

With the peace negotiations between Israel and its Arab neighbours in Washington still making exceptionally heavy weather, the job could hardly have come up at a more critical time. There is a hitch, though: Israel's tortuous inter-ministerial politics. Relations between those perennial Labour party sparring partners, foreign minister Shimon Peres and prime minister Yitzhak Rabin, are as prickly as ever.

Biran is said to have good relations with both his boss and the prime minister. But he must be worried that he will be forced to spend less of his time on the Middle East negotiations than on shuttle diplomacy between Peres and Rabin.

## Resurfacing

■ News that next week's annual conference of the Shipbuilding and Engineering unions in Llandudno has had to be moved to a new venue, because of the recent floods, reminds Observer of an old chestnut. How do you get to Wales in a mini?

Put them in a boat and tow.

# Blue chip offers from Beijing

## Simon Holberton on the first Chinese companies to be partially sold in Hong Kong

China's new capitalists are nearly ready to go to market. It has been a long haul and there is more preparation to be done. But by the end of next month, up to four out of nine Chinese state companies should be ready to be listed on the Hong Kong stock exchange.

The listing of the nine – among China's largest state-run companies – is a milestone *for both the Communist* authorities in Beijing, and for Hong Kong.

For China, it will give investment-hungry industries their first access to foreign funds, while representing a victory for the country's economic reformers, eager to show that Chinese companies can meet the demands of an international market.

For Hong Kong, China's entry to the stock exchange adds substance to the colony's claim that it is the place from which to invest in China. It will also be a relief to those who feared Beijing might jeopardise Hong Kong's economy because of the dispute with Britain over the conditions for handing over sovereignty to China in 1997.

Under Hong Kong stock exchange requirements, China must put at least 25 per cent of each company seeking a listing up for sale. It will do so by floating 10 per cent for in each company on the Hong Kong exchange and 15 per cent on the Shanghai exchange. Control of the companies will remain with the Chinese state.

If the flotations succeed, more will follow. The first four to be listed, advisers say, will be *Shanghai* Petrochemical, one of China's largest petrochemical manufacturers; Tsingtao Brewery, producer of one of China's best known exports, Tsingtao beer; Beijing Renmin Machinery, a manufacturer of offset printing equipment, and Guangzhou Shipyard, in southern China.

Each will have to meet international accounting standards, appoint two independent directors to each of their boards, and retain the services of a foreign investment adviser for three years after being listed.

While the checklist should instil some common ground rules they do not guarantee good housekeeping. But China's Securities Regulatory Commission, set up late last year, hopes the disciplines of western accounting methods and the need to be responsive to outside shareholders will improve efficiency and provide a model for other companies.

**China Inc. for sale**

| Name | Assets (Yn/m) | Sales Yn/m) | Profit (Yn/m) | Employees | Est market cap* (HK$bn) |
|---|---|---|---|---|---|
| Shanghai PetroChem | 5,487 | 7,340 | 1,532 | 70,443 | 15-20 |
| Yizheng Chem Fibre | 3,488 | 3,590 | 720 | 21,812 | 10-15 |
| Maanshan Iron & Steel | 3,261 | 2,792 | 88 | 76,715 | 8-12 |
| Bohai Chemical | 1,788 | 1,760 | 180 | 39,314 | 5-10 |
| Dongfang Electric | 63 | 69 | 2 | 2,581 | 3-7 |
| Tsingtao Brewery | 127 | 138 | 28 | 2,829 | 1.5-2.5 |
| Guangzhou Shipyard | 218 | 634 | 100 | 9,600 | 1-2 |
| Renmin Machinery | 190 | 350 | 60 | 6,290 | 0.5-10 |
| Kunming Machine Tools | 112 | 65 | 12 | 5,402 | 0.5-1 |

Source: Zhonggang Jinji, April 1993. * Brokers' estimates based on the flotation of 25 per cent of each company post-reconstruction.
Note: Figures are for 1991, and reflect mainland Chinese accounting standards

Investors have demonstrated a keen appetite for China-related new issues in the past – earlier this year an initial public offering for a Hong Kong company which holds mainland automotive assets was oversubscribed more than 600 times – and the expectation is that the nine will be no different. Foreign investor interest is expected to be especially strong.

The reason is straightforward. The companies come to the market at a time of enormous foreign interest in China prompted by Beijing's apparent commitment to free market reforms, and by the economy's vigorous expansion: investors hope China's high rates of economic growth will underpin strong corporate earnings and dividends.

Says one US investment adviser: "Investors want to diversify into emerging markets especially in Asia, and China is seen as an hot area."

*Yet it will be hard for foreign*ers to know exactly what sort of company they are investing in. The companies are unlike anything in which they might have invested before and have no western equivalents. "The task for the foreign investor is to sift through a growing list of investment opportunities and find the companies with management capable of making the change from the old to the new business environment. That's not going to be easy; management in many cases hasn't got the foggiest idea."

A further aspect of the differences between Chinese and western operations is the way they evaluate their corporations financially. In China, the yardstick of financial success is output rather than profit. "Chinese companies suffer from the big is beautiful problem,"says Mr Meocre Li, a partner with accountants Arthur Andersen, adviser Tsingtao Brewery.

Attitudes differ too. One foreign adviser took a group of foreign investors to see one the *company's. The president out*lined plans for a new plant. "The investors wanted to know what the break even was, what the new plant's contribution to profits would be, and so on. The president dismissed their questions with a wave of his hand, saying the Li Peng, China's prime minister, had personally authorised the investment so everything would be alright." "

Aside from the risks attached to investing in a different, and largely unknown, environment, merchant bankers helping to bring the nine to market express concern about their clients' attitudes towards raising foreign equity.

"They view the flotation as providing them with a pot of money, and the prospectus the price they have to pay to get it," said one UK merchant banker in Hong Kong working on a listing. "If the man from the Pru turns up, owning 5 per cent of the company, I'm not sure how they will deal with him. The management of these companies just does not understand the long-term consequences of raising foreign equity."

In future, China's company managers will have to respond to the demands of foreign shareholders, who may expect greater access to managers and to information about how a company in which they have a stake is run.

Foreign shareholders and Chinese managers will have to adjust to each other in what is likely to be a painful process. *This was graphically demon*strated last year when Shanghai Vacuum, a television manufacturer, became the first mainland Chinese company to issues shares in Shanghai to foreigners. Instead of focusing of television-making as it had promised minority investors, the company used much of the foreign capital to speculate in property. When the company tried raise fresh capital through a rights issue it flopped. The foreign investors felt they had no guarantee about where their money would go.

The regulatory standards in Hong Kong - including accounting standards, rules on insider dealing and investor protection – might prevent such cases, where foreign investors feel they have been abused. However, it is likely to be some time before investment decisions by foreigners in China can be based on much more than calculated guesswork.

## Joe Rogaly

# Assault on law'n'order

The new home secretary is anxious to win the confidence of the police. There's a revelation for you. In most circumstances it would be information of the quality of "dog bites man". This week, however, it is significant.

Let me explain. Mr Kenneth Clarke, the previous home secretary, is a rumbustious fellow; his approach to police reform was naturally combative. He was, say the constables with their celebrated tact, controversial. His translation to chancellor has so far been a public-relations success; hired as the best mouthpiece, or spreader of bovine fertiliser, in the government he has been spreading away as fast as he can, to general applause. This may assist in the process of selling the Treasury's economic policy, but it detaches him from the delicate task of restructuring Britain's police forces. We will therefore never know how the increasingly difficult relationship between Kenneth the Mouth and those very forces might have ended.

His successor, Mr Michael Howard, is a quite different character. Where Mr Clarke is rough, Mr Howard is *smooth. Where the chancellor is taken* at his word, the home secretary will ever be judged by his actions. The former comes running at his opponents, knuckle-dusters rampant; the latter deploys an equally lethal, albeit often misleading, smile. Both are ambitious, but it is the relaxed Mr Clarke who seems to his colleagues to be acceptably so. By the standards of the present government, both show political ability. They fill two of the ministries collectively known as the great offices of state. The foreign secretary, the triple-A Mr Douglas Hurd, occupies the third. If any trio of colleagues can give the prime minister hope that his authority might be restored, this is it.

Since the recent reshuffle much attention has been focused on Mr Clarke, who is there to rebuild faith in the government's economic management, and some on Mr Hurd, whose present purpose is to find a European policy around which the Conservative party can reunite. Yet if pure politics be the touchstone, Mr Howard's mission is also of some importance. It is, shortly stated, to counter the extremely effective offensive on law and order mounted by the Labour spokesman, Mr Tony Blair. Mr Blair has managed to convey the impression that, far from being soft on crime, *he* knows *how to* deal with thieves and thugs while the Tories do not.

**The home secretary's main task is to show Tory voters that he, not Mr Blair, is the true friend of the law**

The new home secretary has been set the task of recapturing this area of policy so that it may resume its historic function as a Conservative stronghold. He will delight in *this. He throws himself* into these things. When he was environment secretary he went to Brazil and hugged a tree. I am reminded of the late Mr George Wallace, governor of Alabama, who in his early political life declared that he would not be "out-segged" by any opponent who professed an allegiance to segregation. Mr Howard is not going to be *out-law'n'ordered by anybody,* not if he can help it.

He will be obliged to rely on symbolic gestures. For there is not much he can do to reduce crime. Although he can tighten the law, in ways already signalled by Mr Clarke, the overall effect is unpredictable. The government may put a few young artful dodgers into "secure accommodation" (which Mr Blair has long demanded). It may also make it easier to tackle "new age" travellers. Hard professional criminals have little to fear. For the home secretary cannot significantly increase spending on the police; Mr Clarke's difficulty over the £50bn public sector borrowing requirement probably requires the government to reduce it.

The rate of burglaries will therefore continue to creep gently upwards; so will crimes of violence, albeit from a low base. I will not trouble you with numbers. As those who follow these matters are aware, there is no hokum to beat the pure hogwash of our national crime statistics. What counts politically is the quantity of media scare stories, and anecdotal evidence. Mr Howard's task, therefore, is to change the electorate's perceptions. This suggests a strategy of playing to the public's darkest fears and prejudices.

Enter the side-handled baton. This first came to global prominence when it was used by Los Angeles police on Mr Rodney King. Police everywhere lust after it. We British would never contemplate such a fearsome weapon; it is so *obtrusive*. Mr Howard has, however, been presented with a fold-away, hide-away version of *the cops' favourite new night*stick, and he has announced that the police may experiment with its use. Mr Blair has not demurred.

All of this is a preliminary to what could be a difficult summer for the home secretary. The new chief of Scotland Yard, commissioner Paul Condon, has warned his staff that the Yard may have to make officers redundant, following the report of the inquiry into police responsibilities and rewards, headed by Sir Patrick Sheehy, chairman of BAT Industries. This is expected soon. It is anticipated that Sir Patrick will propose the decimation of the upper ranks. This will put Mr Howard to the test. On his table will be recommendations for the greatest restructuring of police management since the war. He may take a while to think about it, but he will have to respond. Mr Condon has also warned of more "market testing", which means gradual privatisation.

There is a clash of purposes here. The home secretary's overriding task is to show Conservative voters that he, not Mr Blair, is the true friend of the law, the protector of safe streets and inviolate homes. His other pressing job is to persist with the challenge to the vested interests of the police federation and prison officers' association, two of the few remaining UK institutions that can make real trouble for the government. He will doubtless seek to reconcile these objectives by offering good redundancy packages, autonomy for local police captains, local budgetary control, and the like.

If Mr Howard was a member of a secure government operating in a good year, the odds might be that he would make a success of the twin endeavours upon which he has embarked. But his experience may not be enough. He must also win the *trust of both the police and the* public, which means saying different things out of each side of his mouth. Perhaps he should apply to the chancellor for lessons in popular locution.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Test does not add up

*From Mr Victor Ripley.*

Sir, Your report, "Many 21-year-olds fail simple maths tests" (June 16), says that respondents were allowed to use calculators. Does that not suggest where the root of the problem lies – in the creation of a generation which knows how to push buttons but does not know whether the outcome is sense or nonsense?

Victor Ripley,
*6 Streeters Close,*
*Godalming,*
*Surrey GU7 1YY*

## When member states, not the United Nations, are to blame

*From Mr John Saunders.*

Sir, Your leader, "Disunited nations" (June 15), rightly advises the Security Council's five permanent members to examine their own responsibility for some recent events, rather than blame the UN. The five should begin to act more often as if they were members of the UN, not detached spectators pursuing their own interests. Their reputation is not enhanced when, for example, they complain of the inadequacies of UN security action while never having attempted to activate the Military Staff Committee provided for under Article 47 of the charter nearly 50 years ago.

When the UN has a defined role and support, as in Cambodia, the chances of success are much increased. On other occasions as in Somalia and Iraq, when member states use the UN to cover a part of their actions, but exclude it from significant participation – and perhaps sometimes from consultation – there are serious difficulties. In these and other cases member states shelter behind the knowledge that the secretary-general will not name and criticise them.

There is a pressing need to improve media coverage of the UN, and to distinguish its role more clearly from that of member states. The aim should be to facilitate the constructive criticism of the actions of all concerned, which is urgently required.

Even those of us who are reasonably informed need a much clearer view of events than we are now receiving.

John Saunders,
*(formerly an assistant secretary-general, UN),*
*20 Shirelys,*
*Ditchling,*
*Hassocks,*
*West Sussex BN6 8UD*

## Thorp backed by Japanese

*From Mr Kohji Kaneko.*

Sir, Your report, "Ministers set to back Thorp plant" (June 16), quoted the advertisement by "Japanese Citizens Concerned about Plutonium" and stated "the group claimed that the Japanese power utilities no longer wanted the plant to go ahead because it was accumulating too much plutonium".

This is not a correct argument. On behalf of all the Japanese electric power companies here, I would like to explain about our nuclear strategy. Reprocessing of spent nuclear fuel and recycling plutonium is Japan's fundamental nuclear policy. According to this policy, Japanese power utilities, with a consensus, provide recovered plutonium for the government's civil R&D activities and at the same time we are now proceeding with the programme to use the material in our own nuclear reactors.

The plutonium to be recovered at Thorp is an indispensable part of our programme. We fully support Thorp. Naturally we do want the plant to go ahead as soon as possible.

Kohji Kaneko,
*general manager,*
*nuclear power department,*
*Federation of Electric*
*Power Companies of Japan,*
*1.9.4, Ote-Machi, Chiyoda-ku,*
*Tokyo, Japan*

## Pensions trustees and fiduciary duty

*From David Caruth*

Sir, Many of us, particularly those involved in the law, were interested to read the article by John Plender on the case relating to trustees and the difficulty in pursuing them for negligence ("A question of trust and security", June 9).

Mr John Quarrell is of the view that "it is almost impossible to pursue a trustee for negligence when it comes to investment". That may indeed be so. Should a trustee make what would appear to the layman to be a "bad" investment, there is almost certainly no negligence. Nevertheless, circumstances can arise which could be just that. An example is, if expert professional advisers have given strong advice to the effect that an investment in X would *be disastrous for* stated reasons and the trustees nevertheless go ahead and invest. In such a case there must surely be a strong argument in favour of negligence by the trustees.

It is important, however, to look further and consider not only negligence. Trustees may be in breach of fiduciary duty. In the Melton Medes case, although still under review, that is nevertheless an allegation which I should anticipate might be made.

A conflict of interest can often give rise to a breach of fiduciary duty. If a trustee put the affairs of either himself or maybe his company before the proper requirements of his ben*eficiaries, it is a breach of fidu*ciary duty. For example, assume a trustee receives advice that he should invest in a particular property development and, at the same time, his company would be well advised to do so. If the trustee ignores the investment entirely for his beneficiaries and invests wholly for the company, there is a distinct risk he would be in breach of fiduciary duty. The point I wish to make is that all is not lost for beneficiaries, and trustees still have to look to their laurels.

David Caruth,
*169 Queens Gate,*
*London SW7 5HE*

## First woman PM, but others have western roots

*From Mr James Mills.*

Sir, While Kim Campbell can certainly lay claim to being the first woman to become prime minister of Canada, she is not "the first with western roots since Mr John Diefenbaker in the late 1950s" ("Canadian Tories take gamble on Campbell", June 15). Mr John Turner, defeated by Mr Brian Mulroney in 1984, had a rather weak claim to western roots: he won a seat in the House of Commons in a Vancouver by-election, after winning the leadership of the Liberal party and becoming prime minister, and lived in that city for a time in his youth. His term of office was the shortest in Canadian history. Mr Joe Clark has a genuine claim to western origins as the most famous son of High River, Alberta, and as MP for Yellowhead (Alberta) since the early 1970s.

His term in office was only slightly longer than Mr Turner's: he formed a minority government after the 1979 election but lost another to Mr Pierre Trudeau several months later.

James Mills,
*173 quai de Valmy,*
*75010 Paris, France*

## Employers must show enthusiasm for offering childcare facilities

*From Ms Kay Coleman.*

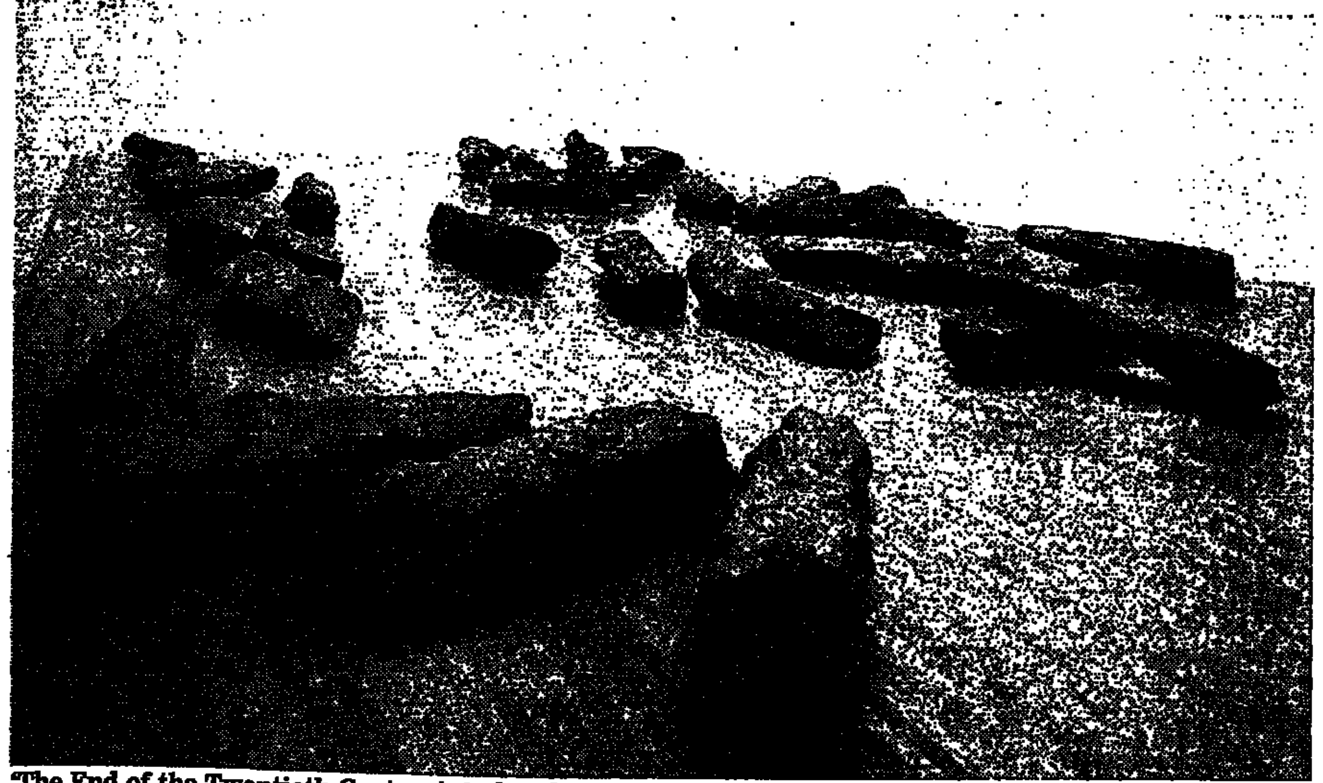
Sir, In your article, "This little penny is for childcare" (June 9), it was ludicrous to suggest that a fair and rational approach to this highly topical and important issue would be to tax mothers (Yes! it would be mainly the women) for using workplace nurseries and use the revenue to provide better facilities.

For two years now my company has funded and run its own workplace nursery, and the setting up of this by a medium-sized private company (the first to be opened in the north-west for many years) attracted the attention of the then secretary of state for employment, Michael Howard, who officially performed the opening ceremony. Consistently, all places have been taken and I must point out that our mothers do not have to "drag" their children to work every day. They actually find it easy and convenient to have them looked after on the same premises where their children are in a happy and secure atmosphere. We also offer a number of places to other local companies to help ease the problems of finding affordable and accessible provision close to their place of work.

We're not talking "high-flyers" here, but ordinary working women and it would be sheer lunacy to impose even greater barriers preventing women taking their rightful place in the world of work by introducing tax burdens on childcare.

The government has laid foundations by giving £45m to Training and Enterprise Councils for after school-care pilot schemes, so let's hope that more companies have the foresight to build on them to safeguard their chances of attracting the best employees in the future. We cannot expect the Treasury to keep providing funds without help and enthusiasm from employers.

Kay Coleman,
*chief executive,*
*Harveys & Co,*
*Kings Mill,*
*Fairbottom Street,*
*Oldham, Lancashire OL1 3SP*



'The End of the Twentieth Century': 31 basalt stones with felt and clay plugs by Joseph Beuys

# True artist of the people

## Lynn MacRitchie admires Joseph Beuys's 'social sculptures'

"Three artists above all define the possibilities of art today," wrote Norman Rosenthal in 1991, going on to name Marcel Duchamp, Andy Warhol and Joseph Beuys. Exhibitions of the work of Beuys are a fixture of the European and US museum circuit. In the UK, however, there has until now been no museum survey of his work. Praise, then, to the Tate Gallery, Liverpool for *Joseph Beuys: the Revolution is Us*, an exhibition of works from its collection, accompanied by a programme of events which seek both to place Beuys in the context of European and international art history, and to introduce his work to the widest possible audience by taking up its environmental and social themes in workshops and community events of all kinds.

Beuys believed that everyone could be an artist, because for him society itself was the greatest and most profound work of art. In his immense range of activities he tried both to exemplify this principle and to convey it to as many people as he could. He did this very simply, making the most direct use of his life experience as well as the traditional skills (drawing, painting, sculpture) in which he received his artistic training.

His legend has become well known. Born in 1921, he flew fighter planes during the Second World War. When he was shot down over the Crimea in 1943, the Tatar nomads who succoured him were the source of the materials of his subsequent artwork. The felt and fat in which they wrapped his broken body against the cold became the materials by which, through their use in sculptures, performances and installations, he sought to energise the creativity of all.

His "everyone is an artist" concept was not, however, an invitation to take up paint daubing or mucking about with clay. It was rather a challenge, a call to each individual, to contribute to that great "social sculpture," the making of a world that is humane and fulfilling for everyone.

Beuys did not just preach a doctrine, however. He put his words into action. He was sacked from his post of Professor of Monumental Sculpture at the Staatliche Kunstakademie in Dusseldorf in 1973, for example, for refusing to abide by its discriminatory admissions policy. A founder member of the Green Party, in 1979 he stood unsuccessfully for election to the European Parliament. His latter work was increasingly involved with "actions" to tackle environmental problems, such as the planting of 7,000 oak trees begun at Documenta VII in Kassel 1982. It is hard to convey the experience of attending one of his lectures or watching his extraordinary performances in which the slow repetition of actions, incomprehensible in themselves but the product of profound contemplation, gradually set up a mythic resonance.

It was the description by Richard Demarco of the "Three Pots Action" performed in Edinburgh in 1974 which finally turned its curator, Judith Nesbitt, too young to have seen any of the live work, and sceptical of the legend, into what she now describes with a laugh as "a believer". The exhibition, though small, is exemplary. The selected pieces from the collection, augmented by loans, are linked by their use of Celtic themes and locations in Scotland and Ireland, countries with close associations with Liverpool. They include as well as the Poorhouse piece four blackboards from a lecture at the Belfast Museum in 1974, and several vitrines. These contain objects using Beuys' essential materials, fat and felt and various metals, and, a link with Duchamp, dust. "Vitrines" are a device much abused these days and it is good to see these originals, which powerfully conjure up the status of the museum and the authority of science to add gravitas to their esoteric contents. Beuys' "science" was of his own making, combining his knowledge of history, plants and physical and chemical processes into a symbolic alchemy developed to support his philosophical investigations.

The second room is devoted to the installation "The End of the Twentieth Century." I was fortunate enough to have my first sight of it courtesy of its maker. In the Gallery Schmela in Dusseldorf where it was first, our interview developed into a discussion that went on long past gallery closing time. Beuys left no plans to explain how the work, 31 basalt columns, each with a plug drilled out, wrapped in felt and clay and replaced, was to be displayed. Judith Nesbitt consulted his widow Eva, hoping for instructions. Do what seems right for you, feel comfortable, sit amongst the stones and have a cup of tea, she was told. Thus fortified, she has done a superb job. The stones seem to delight in the ample space, the diagonal thrust of their movement full of life and grace. For despite their weighty mass, the tumbled columns somehow manage to convey not collapse and despair but lightness and hope. It is a fitting summation of Beuys' philosophy that the fallen masonry of history should contain the potential for future growth.

**Joseph Beuys: The Revolution is Us. Tate Gallery Liverpool until January 3. Tel 051 709 3223.**

## Opera in London/Richard Fairman

# Tosca revived

Whenever management consultants are invited into opera houses, they come away recommending that companies should give more performances of each production. On that score nobody can complain about the Royal Opera's *Tosca*, first seen in 1964 and brought back more often since then than one would have thought possible.

It still looks good, as long as one accepts the dated visual style. On Wednesday it housed a decent, standard revival. The performance managed to send a frisson of melodrama down the spine, even though the two main principals have voices that are not quite large enough.

Looking elegant but remarkably petite in the grand costumes designed for Callas, Catherine Malfitano has her work cut out measuring up to Tosca in stature. At all the big vocal moments she is pushed to meet the volume and scale required. This is regrettable, as the slim figure and refined Latin looks make her a highly desirable heroine. There is plenty of temperament (it is easy to understand why she wants the portrait of the Madonna to be given dark eyes, when her own flash with jealousy so sharply) and nothing she does is cheap. Even the lines which sopranos have traditionally spoken, she sings as written.

In each of her scenes with Scarpia, one sensed an electric tension crackling between them. Gregory Yurisich's Scarpia is nasty enough as the police chief, but he manages to be more chilling still when he is playing the lover trying to ensnare his prey. A torrent of sadistic desires seems to be bottled up inside this perfectly controlled persona. Unfortunately, he too has difficulty keeping a strong vocal presence over the orchestra, which robs him of some of his authority. It is strange that a voice which has seemed on the heavy side in lesser roles should sound underpowered when it comes to this one.

There are no problems of that kind with the tenor, at least. Alberto Cupido has a sturdy Puccini voice, which has enough steel for Cavaradossi's heroic moments and a limited ability to melt at his romantic ones. The musicianship is apt to be unimaginative, but he gives good value. This means not only hanging on to top notes, but phrasing as long and broadly as he can. There is also a characterful new Sacristan from Donald Adams.

The conductor is Daniel Oren, already encountered this year in Puccini at the Royal Opera. After his *La Bohème* the exaggerated speeds and garish orchestral colouring were only to be expected, but *Tosca* is a tougher score, which can take the treatment more successfully. I only wish that his idea of rubato did run counter to my own instincts. Otherwise this is a convincing, sometimes exciting revival, which should serve the young audience at its three Prom performances well enough.

*Tosca* runs until 26 June at the Royal Opera House

Alastair Muir

Catherine Malfitano and Alberto Cupido as Tosca and Cavaradossi

## Opera in Genoa/William Weaver

# Catalani's 'Loreley'

If Italian opera has an abused step-child it is poor Alfredo Catalani (1854-1893), whose name figures in every book on the genre while his works remain practically unperformed and unknown, except for one pathetic aria for soprano from his last work *La Wally*, "Ebben me n'and lontana", familiar to film-goers as the much-repeated theme-song of the Beneix movie *Diva*.

Catalani, however, has always had his persistent admirers (Toscanini, chief among them, named his children after characters in his friend's operas); but in recent years their number has been dwindling, and even *La Wally*, which came closest to popularity, has vanished from the Italian opera houses where, in the past, it was occasionally revived.

So, last year, when the theatres of Verona and Genoa announced a new production of Catalani's *Loreley* considerable curiosity was aroused, and now, as the work is being heard at the latter city's splendid Teatro Carlo Felice, the Catalani caucus has come out in force. The conductor – 84-year-old Gianandrea Gavazzeni – long a specialist in this period, was at the helm of the performances; and with undiminished vigour, the maestro who led so many unforgettable Callas performances at La Scala, infused his vitality and conviction into the Genoa orchestra and made a good case for the work itself.

Originally the opera was called *Elda*, and it was Catalani's first full-length work for the theatre. Given in Turin in 1880, it had a mixed reception. Some years later – after other theatrical ventures – Catalani revised it extensively and it was given again (under its present title) in Turin in 1890, and once more it was received with more esteem than enthusiasm.

Catalani was a composer of skill and ideas, but – in a world still dominated by Verdi, and with the star of Puccini about to rise – he was an outsider, attached to the polemical Wagnerismo of the time. He was also dogged by ill-health and ill-luck (and the damaging hostility of the powerful publisher Giulio Ricordi). But, worst of all, he simply could not write good tunes. As the critics said at the time, *Loreley* is full of ideas (some of them recalling *Lohengrin*), but they are all short-winded. Instead of developing, he usually just repeats.

Singers, too, misunderstand his music, singing it as if Catalani belonged to his contemporary "verismo" school, which he did not. In the Genoa *Loreley*, for example, both the soprano Marilyn Zschau, in the title role, and the tenor Nicola Martinucci, as her enslaved lover, bawled their way through the first act with ear-splitting vehemence. The baritone, Alessandro Cassis, who has a generally pleasant voice, was simply inexpressive. The first act is the weakest; in the second, where the other soprano – the girl who loses the man – appears, Denia Gavazzeni Mazzola sang persuasively, displaying a real sense of style. Both the second and third acts have long instrumental interludes, which the conductor interpreted powerfully.

The sets and costumes, by the usually sensitive Pasquale Grossi, were coarsely coloured and badly lighted. This German legend requires a generous amount of stage magic; here it had none, and Alberto Fassini's lacklustre staging was no help (the wood-choppers in the opening scene might has well have been stirring soup). So this revival of *Loreley* – while of unquestioned interest to historians of Italian opera – seemed to inspire in the 1993 public much the same emotions that its first version aroused in the Torinesi of 1880: respect, polite interest, and – to be honest – a certain amount of boredom.

## London Theatre: at the Open Air theatre, Regent's Park and the Royal Court, Sloane Square

# Romeo and Juliet

Open air Shakespeare – in London has to triumph over cold and wet, and in New York over humidity and noise. A successful play in the Theatre, Regent's Park or the Delacourt, Central Park needs to be robust and expansive enough to counter the environment. The New Shakespeare company's *Romeo & Juliet* directed by Judi Dench at Regent's Park is full of tense excitement, but never manages to catch the spirit of the play.

Shakespeare pinched the plot from a dull version published in 1562, and wrote it in 1595, when he was 31. Because the principals are youthful, *Romeo* is often taken for a play about youth. And because the fighting and feuding happen outdoors, in the "public haunts of men", it is taken for an open air play. Most of the action takes place inside, in the dark chambers and private space of house, cell and tomb.

A good production needs more subtlety than outdoor style in acting or presentation can provide. The verse is tortuous: "My only love sprung from my only hate! Too early seen unknown, and known too late" cannot be shouted like an invocation to the rear seats, but should be muttered close to. Shakespeare conjured a disturbing mixture: bachelor banter with Mercutio, frolics with the nurse, dense and delicate verse, botched and casual slaughters, and a plot that falls over itself with dispatch.

The best moments of the evening come when Mercutio or Friar Lawrence perform, in front of the other actors, irrespective of the audience. Given the unsuitability of the play, the actors fare well enough. Rebecca Callard as Juliet and Zubin Varla as Romeo maintain a breathy and anxious commitment. Dench's direction favours a full stage, and the fights are lusty and inventive. The set (Jack Notman) is a wonderful colour, perfect Veronese masonry, and opens out nicely for the house and the tomb scenes. But the balcony which waits patiently stage right has an air of inevitability. Soon Romeo, not ivy, will be clinging to it.

**Andrew St George**

Regent's Park Theatre, Inner Circle, Regent's Park 071 486 2431

# Barclays New Stages

It is more fun to chew on what Graeme Miller's latest piece means to say than to sit through it, and in that sense it is not a true work of art. Miller makes multi-media performance art; and his last major work, *A Girl Skipping*, set images dancing so vividly in the mind that they then kept adding up to fresh meanings afterwards – but the core pleasure, of course, came in watching it. Not so with *The Desire Paths*, his new 90-minute piece, which begins well but then gets bogged down in repetitious culs-de-sac of nonsense.

There are five people onstage, stuck in a room together and surrounded by drear images of modern urban desolation, all ready for a magical adventure; and they get set to depart through the door in the wall. You think of Alice, and of the kids in stories by E.M. Nesbit, Enid Blyton, C.S. Lewis. So far, so good.

Then – ironic stroke – the door will not open. Here is Miller's one masterstroke. There is no escape route, no path into magic, only the modern world and the human will. It's as if *The Lion, the Witch and the Wardrobe* suddenly turned out to have no lion and no witch. Again and again, we see different treatments of the same central image – the door that will not open.

These five people – often so childlike – keep breaking up into separate couples, trios, solos; and nonsense is their escapism, whether by prattling away in methodical madness or by crawling around the room like kids playing games. And, as their fantasies do lead them somewhere, the room does start to change.

Soon we note how many of their fantasy paths lead to talk of the underworld, and so we think of the paths of life that lead to death. And we note how asexual these "children"'s existence; one big kiss at the end stands in startling relief against all that has gone before. Meanings, meanings. And vivid, sure performances. But Miller's piece keeps going round and round in drab, irritating loops. Too often, it takes a different route only to end up by making the same point: the locked door, the bomb, the soulless cityscape.

*The Desire Paths* occurs currently, as part of the Barclays New Stages Festival, in the Royal Court's main house. Meanwhile, in the Theatre Upstairs, the two-man Man Act is presenting *Call Blue Jane*, a collaboration with writer Deborah Levy. This is pop sociology tarted up as performance art. Two men in city suits talk competitively to each other about the art of the deal, sex, wives, children, society. They talk in minimalist cyclical patterns; they pose, gesture, or dance in stern, masculine ways; and keep asking each other the same questions.

As they talk and move through the encompassing mist, they reveal the paucity of their thought, their incidental misogyny, and their dreadful vulnerability. They need tenderness but keep rejecting it... Yes, well, *you* know what city men are. No, I can't recommend *Call Blue Jane* as a work of art – but, since I'm curious how its portrayal of city gents goes down with *F.T.* readers, I draw it to your attention, with the approving comment that it lasts less than 50 minutes.

**Alastair Macaulay**

Both *The Desire Paths* and *Call Blue Jane* continue at the Royal Court until June 19

# INTERNATIONAL ARTS GUIDE

**Glyndebourne is having to miss a year while its new opera house is being built, so there will be no picnics in front of the ha-ha on the Sussex Downs this summer. To keep in touch with its patrons, the festival has organised a series of concert performances at London's Royal Festival Hall, in co-operation with Glyndebourne's regular orchestra, the London Philharmonic.**

**The South Bank's concrete surroundings and restaurant facilities may not match those of Glyndebourne, and many on this summer's starry cast-lists have little or no connection with the festival. But at least some high quality singing is promised.**

**There will be three concerts each of three operas. The series begins on Monday with Berlioz's Béatrice et Bénédict, sung in French with an English narration by John Wells (repeated next Wednesday and Friday). Andrew Davis conducts a cast led by Anne Sofie von Otter, Jerry Hadley, Dawn Upshaw and Gilles Cachemaille. On Tuesday, Thursday and Saturday of next week, Klaus Tennstedt will conduct Fidelio, with Deborah Polaski, Peter Seiffert, Artur Korn and Barbara Bonney. The final opera (July 18, 20, 22) is Lehar's The Merry Widow, to be conducted by Franz Welser-Möst, with Carol Vaness as Hanna Glawari and Thomas Hampson as Danilo. It will be sung in German, with Dirk Bogarde reading an English narration specially commissioned from Tom Stoppard (071-928 8800).**

## EXHIBITIONS GUIDE

**AMSTERDAM**

**Van Gogh Museum** The Potato Eaters: sketches, drawings and paintings leading up to the chef d'oeuvre of Van Gogh's Dutch period. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. Daily

**Rijksmuseum** Rembrandt in a new light: seven restored paintings, including The Denial of Peter (1660), The Jewish Bride (1662) and The Sampling Officials (1662). Ends Nov 1. The Jacobus Klaver Collection: 100 Dutch 17th and early 18th century drawings. Ends July 25. Closed Mon

**ANTWERP**

**Museé Royal des Beaux-Arts** Jacob Jordaens. Ends June 27. Closed Mon

**Rubenshuis** Rubens Cantoor. Ends June 27. Closed Mon

**Onze Lieve Vrouwekathedral** Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily

**Middelheim** New Sculptures: works by Richard Deacon and 10 other major international artists. Daily

**BARCELONA**

**Fundacio Joan Miro** Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon

**BERLIN**

**Neue Nationalgalerie** Beyeler Collection: an outstanding private Swiss collection of early 20th century paintings. Ends Aug 1. Closed Mon

**Alte Nationalgalerie** Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues

**Martin-Gropius-Bau** American Art in the 20th Century. Ends July 25. Closed Mon

**BONN**

**Kunst- und Ausstellungshalle** Sehnsucht (The Desire to See): 500 paintings, projections and installations from 12 countries, tracing the development of the unbroken 360-degree panorama picture from the early 19th century until the invention of moving pictures a century later. Ends Oct 10. Dancing Pictures: 80 cloth paintings from Ghana over the past 150 years. Ends July 11. Also Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon

**Kunstmuseum** August Macke (1887-1914): drawings and watercolours by the German painter influenced by contemporary French painting. Ends July 4. Closed Mon

**FLORENCE**

**Palazzo Strozzi** Vassily Kandinsky: 38 oils, watercolours and paintings on glass by the Russian painter covering the years 1900-20. Ends July 18

**FRANKFURT**

**Schirn Kunsthalle** *Eduardo Chillida* (b1924): 100 sculptures and 60 works on paper from all periods in the Basque artist's life. Ends Sep 5. Also Antoni Tapies (b1923): 60 paintings and 50 drawings by the Catalan painter. Ends Sep 5. Daily

**Städel** Franz Gertsch: woodcuts by the Swiss artist. Ends Aug 8. Dan Flavin: installations 1989-93 by the American artist. Ends Aug 22. Closed Mon

**GENEVA**

**Cabinet des Estampes** Goya and Rembrandt: an exhibition tracing the influence of the Dutch master on the Spanish painter. Ends Sep 5. Closed Mon

**Musée d'art et d'histoire** Egyptian Blue: glazed earthenware from ancient Egypt. Ends Sep 19. Closed Mon

**Musée Rath** Contemporary Swedish Art: a selection of work by eight leading Swedish artists. Ends Sep 26. Closed Mon

**HAMBURG**

**Kunsthalle** Picasso: After Guernica. An exhibition of 90 paintings, 60 drawings and 10 sculptures, representing his later work, with a special focus on the 1950s. Ends Aug 29. Closed Mon

**LONDON**

**Tate Gallery** Art and Liberation: painting and sculpture in post-war Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Georges Braque: prints from private French collections. Ends June 27. Daily

**National Gallery** 18th and 19th century paintings and drawings from Lille. Ends July 11. Also 10 Velazquez paintings from Aspley House. *Daily*

**Royal Academy of Arts** Summer Exhibition. Ends Aug 15. Daily

**Hayward Gallery** Georgia O'Keeffe. Ends June 27. James Turrell installations. Ends June 27. Daily

**Courtauld Institute** Thomas Gambier Parry as Artist and Collector: 14th and 15th Italian paintings collected by the 19th century painter, whose watercolours are also represented. Ends Sep 1. Daily

**NEW YORK**

**Guggenheim Museum** Paul Klee: 60 works from the museum's own collection, spanning the Swiss-born artist's career. Ends Sep 19. The SoHo site has Singular Dimensions in Painting: minimalist works from the 1960s and 70s by Ellsworth Kelly, Agnes Martin, Robert Ryman, Richard Serra and others. Ends Aug 22. The main museum is closed on Thurs, the SoHo site on Tues

**Metropolitan Museum of Art** Drawings from the Getty Museum: 120 works by Titian, Raphael, Fragonard, David, Dürer, Rembrandt and many others. Ends Aug 8. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon

**Museum of Modern Art** Latin American Artists of the 20th century. Ends Sep 7. John Heartfield: powerful political images by the German inventor of photomontage. Ends July 6. Closed Wed

**NUREMBERG**

**Germanisches Nationalmuseum** The Ludwig Collection: a *large-scale survey of the art* collection of German chocolate magnate Peter Ludwig, including a large group of Picasso paintings. Ends Oct 10. Closed Mon

**PARIS**

**Musée Picasso** Picasso and the Bulls. Ends June 28. Closed Tues

**Louvre Copier-Créer**: from Turner to Picasso, 300 works showing how artists copied the great masters. Ends July 26. Closed Tues

**ROME**

**Calcografia** Federico Peliti, Piedmontese Photographer in India: more than 200 evocative photos of the British Raj by a talented amateur, who was also a violinist and sculptor. Ends July 10. Daily

**S Michele a Ripa** Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others, on show in this deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31

**STUTTGART**

**Galerie der Stadt** Munch and his Models. Ends Aug 1. Also Pompeii Rediscovered. Ends July 11. Closed Mon

**Staatsgalerie** Swabian Classicism: 300 works from late 18th century. Ends Aug 8. Closed Mon

**VIENNA**

**Kunsthistorisches Museum** Gold from Kiev: 170 masterworks from the era of Scythian supremacy to the Christianisation of the Ukraine. Ends Aug 1. Closed Mon

**Kunsthalle** The Broken Mirror: 50 contemporary artists present an image of the diversity and function of art today. Ends July 25. Daily

**Albertina** Dutch and German Drawings from Mannerism and the *Baroque: works by Goltzius,* Rubens, van Dyck and others. Ends July 11. Daily

**Künstlerhaus** The World of the Maya. Ends June 27. Daily

**WASHINGTON**

**National Gallery of Art** The Great Age of British Watercolours 1750-1880. Ends July 25. Also Great French Paintings from the Barnes Foundation. Ends Aug 15. Daily

**National Portrait Gallery** American Art at the 1893 World Fair. Ends Aug 14. *Daily*

**National Museum of American Art** Masterworks from American Art Forum Collections 1875-1935. Ends July 5. Daily

**ZURICH**

**Kunsthaus** The Nabis: 320 paintings by Bonnard, Vuillard, Vallotton and other members of the group of artists in late 19th century Paris who painted in flat, pure colours before reverting later to a modified impressionist style known as Intimisme. Ends Aug 15. Closed Mon

**Museum Rietberg** Masks and Costumes of Japanese Theatre: Noh theatre masks and garments from the 17th to 19th centuries. Ends Aug 22. Closed Mon (Gablerstrasse 15)

**Graphische Sammlung der ETH** Franz Gertsch: recent landscapes combining photography, woodcuts and painting. Ends July 16. Closed Sat and Sun

## TECHNOLOGY

# Steps towards vaccines

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The companies' vaccines consist of genetically engineered proteins from the surface of the virus – an empty shell resembling HIV. Both groups have completed trials on small numbers of healthy volunteers, who subsequently developed antibodies against the virus.

The federal National Institutes of Health plans to launch a large-scale clinical trial of the vaccines on about 10,000 healthy volunteers by the beginning of next year.

A preventive vaccine is a relatively new concept in Aids research, which until recently has concentrated on therapeutic vaccines for patients already suffering from the disease.

Scientists are now questioning whether use of vaccines as a cure for Aids is feasible. "We've never been able to cure any viral infections, so a cure for Aids may not be a realistic possibility," says Martin Hirsch, a professor at the Harvard Medical School. As a result, the focus is turning to prevention.

The new vaccines are promising, but by no means perfect. The Chiron vaccine has side-effects of redness, soreness and mild flu-like symptoms. More important, neither vaccine has been shown to have any impact after a patient has contracted the disease.

Even if successful, the vaccines would have severe limitations. For instance, a vaccine for the North American strains of HIV would be unlikely to have much of an effect on Asian or African strains. The vaccine would probably have to be altered every year to address the constantly mutating virus.

Chiron and Genentech say they do not foresee the widespread use of the vaccines immediately, even if they prove successful in the next set of clinical trials.

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There is still no long-term treatment for HIV, despite billions of dollars of investment, writes **Paul Abrahams**

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Given such grim predictions, the failure of the pharmaceuticals industry to find a cure or vaccine for HIV – after more than 12 years and billions of dollars of investment – was particularly depressing.

The gloom was compounded as details of an Anglo-French study were presented, suggesting the most widely-used treatment against HIV, Wellcome's AZT, may not be effective in HIV-positive patients without Aids-related symptoms. The company disputes the findings of the trial, which is the largest and longest study of AZT.

Yet in spite of the absence of any long-term treatment, the need for early intervention was stressed in a new study presented by Frank Goebel, professor at the Ludwig-Maximilians-Universität in Munich. He demonstrated that the virus is highly active even during the apparently latent phase of disease after infection when the virus is hardly found in the blood.

Goebel argued that during the latent phase the virus seeds itself into the lymph system where over a period of years it multiplies, ravaging the system's cell structure before breaking out into the blood stream. At this stage, the deterioration in the number of CD4 immune cells, which is relatively slow during the latent period, accelerates rapidly leading to Aids and Aids-related diseases.

Before this study, it had been suggested there was no point giving treatment before Aids symptoms developed because, given its low levels in the bloodstream, the virus was inactive.

Although it is now clear that early intervention could help, the problem for doctors is that none of the drugs available appears to have a lasting effect on HIV.

Scientists are looking at a number of ways of attacking the virus. But so far most of the effort has been directed towards one particular step of the virus' life-cycle, when the virus' genetic material (RNA) is "reverse transcribed" into DNA. These drugs include Wellcome's AZT, Bristol-Myers Squibb's ddI and Roche's ddC.

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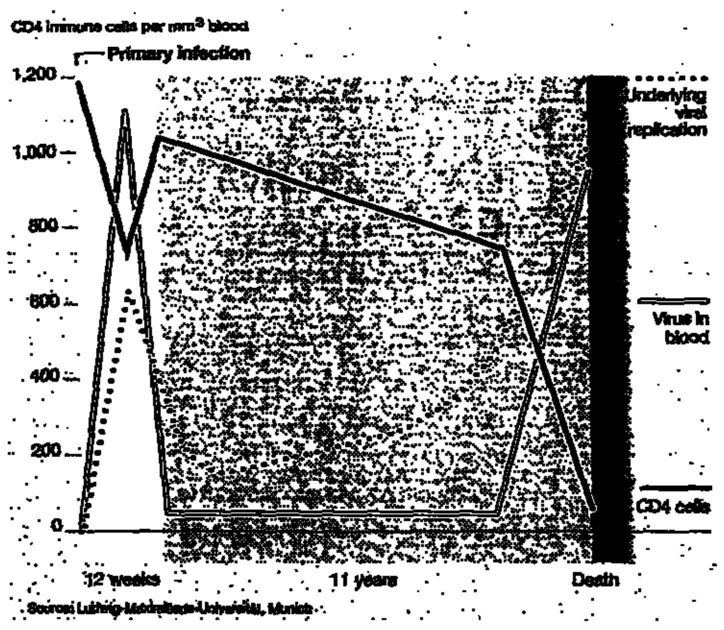


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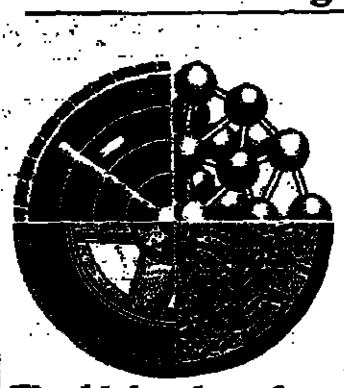
## Worth Watching · Della Bradshaw



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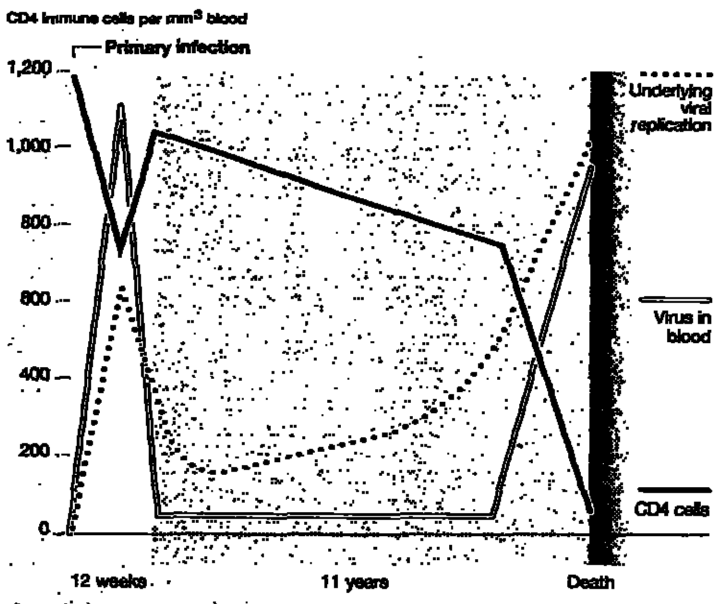


Source: Ludwig-Maximilians-Universität, Munich

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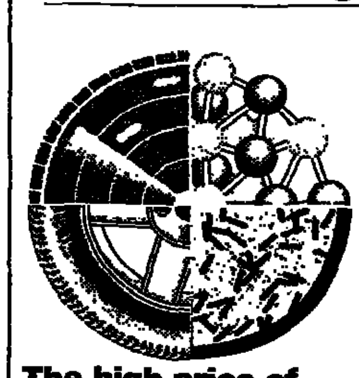

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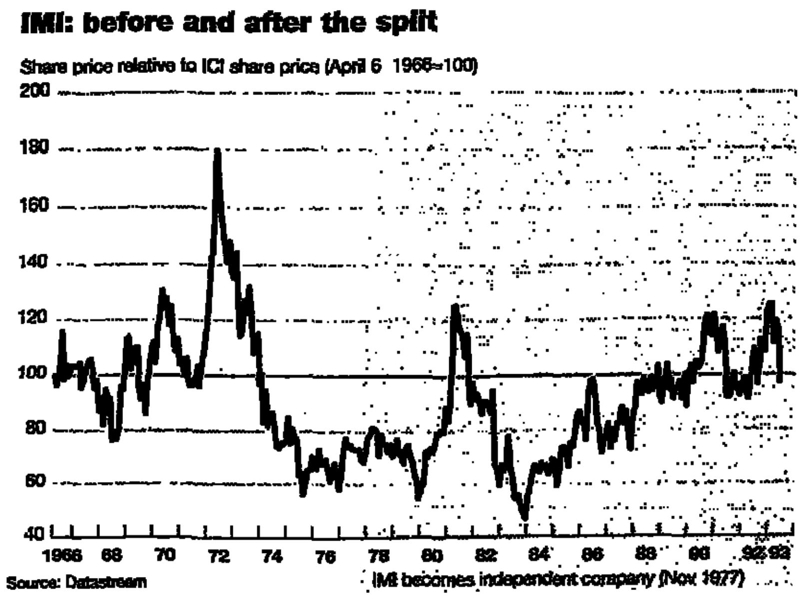
# MANAGEMENT

**IMI: before and after the split**



Source: Datastream


Gary Allen

# Thriving on independence

## IMI has shaken off the restrictive culture of its former parent ICI, writes Tony Jackson

As an old ICI hand, Gary Allen has been watching the carving up of his former employer with a certain fraternal interest. IMI, the engineering group of which he is managing director, used to be an ICI division. In 1978 it was floated as an independent company. It was thus the prototype for this month's more ambitious demerger of Zeneca, ICI's bioscience business.

Allen joined ICI's metals division - the future IMI - as an accountancy trainee in 1965. Two months after the flotation he joined the IMI board. He is therefore something of an authority on what it means to cut loose from the ICI culture. His verdict is unequivocal: "It was the making of us."

As he describes it, life under ICI sounds uncommonly restrictive. For example, he says, take joint ventures. In the mid-1970s, he was running a boiler-making subsidiary of IMI. "I had a joint venture I wanted to do with another ICI subsidiary in Ireland. It was a feasible project and would have made money for both of us. Then there was a head office *diktat*: we don't do joint ventures this small. And that was that. After 1977, a lot of IMI's growth was getting into joint ventures with European family-owned companies - taking stakes, building blocks without total ownership, then buying the family out later."

Or take wages. "Under ICI, when it came to pay scales, there was always some read-through from the centre. There was the ICI pension scheme, which everyone had to belong to. There were joint consultative schemes. And in 1977, IMI had 30,000 employees, a lot of them ladies employed in assembly work. When ICI negotiated a pay increase for one of their big capital-intensive plants, labour costs were relatively low in the equation. They were very high when it came to us making zip fasteners and ammunition."

Or take capital investment. At the time, ICI was spending a great deal on petrochemical plants around the world. IMI, it decreed, must live within its own cash flow. IMI's head at the time of flotation, Eric Swainson, now deputy chairman of Lloyds Bank, says: "IMI was very largely a UK metal basher. Our ambition was to diversify in terms of products and outside the UK. That was not really possible at any speed within our own cash flow. We needed access to the markets. ICI made it clear to us that if we wanted to live in their protected world, we couldn't change our nature. If we wanted to grow and diversify, we could only do it outside."

Or take research and development. "It was regarded as essential to have a very large central research establishment," Allen says. "That was very ICI. But we felt that in many of our product areas we ought to be in process development rather than in basic research. After demerger, we decentralised our R&D totally."

Or even, at the extreme, take industrial relations. "There was an ICI message I had as a factory manager," Allen says. "We don't have strikes. Once we were independent, we shut down zip fasteners in Birmingham. I think that would have hit a block in ICI, because it involved getting rid of 3,500 ladies. In fact, there was no strike, but ICI wouldn't have taken the risk."

In fairness, he concedes, he might have got the message wrong. "But that's where culture comes into play. As a manager at that time, you got the very strong feeling that ICI didn't want any trouble. Once we were independent, we knew we had to grasp these nettles. And why weren't they grasped before?"

At this point, one begins to ask if it was all really so one-sided. Surely ICI provided some central services which IMI found hard to replace? Not at all, say Allen and Swainson. If anything, the reverse.

"To be honest," Allen says, "we found there were a lot of professional advisers who regarded us as a new and very desirable client."

In purchasing, Allen says, there were positive advantages. "One of my jobs after the split was to re-negotiate all the big supply contracts like gas and oil, which had previously been handled by a massive ICI organisation at Millbank headquarters called Central Purchasing Department. We actually got better terms from some of those suppliers, who were very concerned that we'd go elsewhere."

To be fair to ICI, some of these rigidities have since been abolished. The Central Purchasing Department, for instance, was disbanded long ago. But until the Zeneca demerger there was still central purchasing of cars and some engineering equipment, while groups of businesses within ICI clubbed together to buy raw materials. Central wage bargaining remained: indeed, for the next few months both Zeneca and the new smaller ICI will still be working off the wage settlement struck before they went their separate ways.

The rosy picture of demerger needs qualifying in one important respect. For IMI's senior staff, Swainson says, it represented pure opportunity. But, he concedes, "security was a thing that bothered people down the line. There was fear that this might be the start of a break-up or screwing down of conditions". Allen agrees: "For management, it was exciting. For a lot of people below the level of management, the great umbrella of ICI had been taken away. And even some managers realised - hang on, we could be taken over. The same must apply to Zeneca and ICI now. They're both more vulnerable, simply in terms of scale."

As a proxy for the Zeneca demerger, IMI is far from perfect. It was far smaller than Zeneca and more self-contained. It also had a stock exchange quotation for more than a decade before its final separation. But its experience bears out one central contention of the ICI board in devising the latest split: that different parts of the business should be free to manage themselves however suits them best.

For what it is worth, there may also be a message in the share price. Over the 11 years in which IMI was publicly quoted but still part of ICI, its shares underperformed ICI's by around a third. Since then they have outperformed ICI by more than 60 per cent. On that basis, Zeneca's £1.3bn rights issue - which closes on Monday - should be a snip.

## CHRISTOPHER LORENZ

# The uphill battle against change

From Machiavelli's Florence to modern corporate America, it has always been clear that the biggest barrier to any organisational improvement is getting people to change. So there was little justification for the surprise expressed last weekend at a study of 200 British manufacturing companies which concluded that the greatest "inhibitor" to their achievement of "world class" performance was not government policy, but their inability to implement change quickly enough.

The fact that the problem is neither new nor peculiarly British is illustrated with particular piquancy by events which have come to light at one of the world's best-known multinationals as it wrestles with one of the most wrenching forms of change imaginable: the political, behavioural and organisational upheaval associated with the "re-engineering" of its operations.

As regular readers of this page will know from a series of articles which began last month, this involves breaking down the barriers between powerful departments, and getting people to work in different ways in various "business processes", from order processing to product development. It represents a fundamental challenge to the power base of many senior managers.

The company concerned is Xerox, the copier giant, which operates in Europe as Rank Xerox. The piquant part of the story is that it was the UK end of the group which was most ready to change, but which was hampered by the rest of Xerox.

In 1987, before the term "re-engineering" had even been coined, Rank Xerox UK launched the first stages of a comprehensive programme of what it then called radical "process redesign". This was supposed to become a model for the rest of the group; in 1990 a much-enlarged blueprint for the redesign of all Xerox's business processes was given official blessing by the US top management.

Yet until less than a year ago it was "filed and forgotten" in the US and continental Europe, says one senior international manager. "It just didn't engage the business managers," says a second. A third, who left in frustration, says: "It hit an invisible wall of all sorts of barriers: cultural, hierarchical, structural and functional."

Only in the wake of poor financial results was a round of frenetic re-engineering finally launched in Europe last autumn. In continental Europe and the US, the programme's influence until then had been minimal, except in "logistics" (supply and distribution).

Even in the UK the original programme had far less effect than intended; it laid the groundwork for several projects, the most recent of which has been the re-engineering of order processing and

### Only after poor financial results did Rank Xerox launch a round of frenetic re-engineering

service calls; but these are less all-embracing processes than those envisaged originally.

The fact that such a sophisticated company has found it so hard to turn re-engineering from theory into practice, in spite of the apparent commitment of top management, reinforces the change conundrum.

Like so much in any kind of history, Medici or modern, Xerox's difficulties are open to two interpretations, depending on your vantage point - or, if you are a "change management" groupie, where you have been schooled.

If, like most re-engineering evangelists and a growing body of desperate top managers, you consider radical process change to be the key to transforming a company's productivity and commercial performance, you will interpret the long delay in purely political terms. You will see it as the temporary but costly triumph of Xerox's reactionary, centralist "functional barons" (heads of manufacturing, marketing and even "total quality") over multidisciplinary working by relatively independent teams, on which proper re-engineering depends.

On the other hand, you may, like Paul Allaire, Xerox's chairman and chief executive, take a much wider view which considers the politics of change to be only part of the problem. Allaire has been influenced heavily by David Nadler, an academic-turned consultant who sees business processes as just part of an organisation's complex "architecture" - virtually the whole of which must be redesigned if the company is to manage change successfully.

If you are of like mind, you will consider that the 1990 re-engineering blueprint was ahead of its time, out of context and inadequate on its own to achieve the essential task of breaking down decades of functional dominance and costly staff overheads in Xerox and its European offshoots.

As things have proved, the whole group has indeed needed a much broader initiative from the very top, plus last year's poor financial results in Europe, to begin breaking that functional stranglehold. This initiative, launched in the US in early 1992 and now cascading uncomfortably into Europe, treats the redesign of work processes as only one of four elements which need to be changed if the whole of Xerox is to operate more effectively.

The other three elements are: first, the group's formal organisation structure; second, its people and skills; and third, its informal networks, behaviour and "culture". The first was changed in wrenching fashion last year, and a succession of measures has been launched to change the other two - which Allaire recognises is a far harder task.

Six long, painful years after its first stirrings, radical change is finally under way at Xerox. As Machiavelli warned Lorenzo de Medici back in 1514, "there is nothing more difficult . . . than to take the lead in the introduction of a new order of things".

*Rank Xerox's current process re-engineering drive in Europe will be examined next week.*

# UK delays Maastricht ratification

By Alison Smith

THE UK's ratification of the Maastricht treaty will be delayed – even after the legislation has gone through parliament – because of the threatened legal challenge to the government from the Euro-sceptics.

The delay in ratification could be until the autumn.

Although the government is confident that the challenge will be rejected by the courts, ministers will not proceed to ratification until this final hurdle has been cleared.

The news will encourage the Euro-sceptics, whose plan to seek judicial review of the government's actions was seen by many Tory MPs as a futile and last-ditch attempt to stop the treaty's implementation.

The threat of a challenge came last month after Mr Douglas Hurd, the foreign secretary, led a government retreat and accepted an amendment which removed the social protocol from the parts of the treaty incorporated into British law.

Then, the Euro-sceptics said that they would seek judicial review on the conflict between the legislation, which does not include the social chapter and the UK's opt out from it, and the government's plans to ratify a treaty that did.

Whitehall officials expect the challenge not to materialise until after royal assent, expected in late July.

Though the government will press for an expedited hearing, some officials recognise that it could put off ratification until September or October.

The delay will be a blow for the government's business managers who have set an ambitious timetable to complete the bill by late July. Ministers hope that the debate on the social chapter, which is required before it can come into force, will also to take place before the Commons disperses for the summer recess.

It had been expected that this debate would be the last obstacle in the way of ratification, enabling the UK to ratify in the summer, and leaving Germany as the last country to ratify, probably in September.

# Major gets cabinet to back spending limits

By Ralph Atkins and Alison Smith

THE CABINET yesterday set the toughest limits for at least 15 years on public expenditure in an attempt to curb Britain's public borrowing, presaging a summer of attrition between ministers over tax and spending policies.

As the cabinet agreed spending ceilings that should see public expenditure falling as a share of national income over the next three financial years, Mr John Major urged cabinet colleagues to "sing from the same hymn sheet" on tax policy and party promises.

His instruction was a scarcely-veiled rebuff to Mr John Redwood, Welsh secretary, and Mr Michael Heseltine, trade and industry secretary, who have clashed publicly over whether income tax increases should be on the government's agenda.

The prime minister sought yesterday to minimise further damaging cabinet splits by seeking collective agreement on "new control totals" for the three financial years from 1994-95 to 1996-97.

The totals foreshadow a further tight squeeze on public sector pay but cabinet ministers have still to reach agreement on whether to extend the 1.5 per cent ceiling on public sector pay rises for another year. Broader and more flexible limits on the total pay bill for workers could emerge as a compromise option.

Other targets will include the budgets of the Welsh and Scottish Offices, regarded as the most interventionist in Whitehall. Several Cabinet ministers are lobbying hard for still fiercer controls on local authority spending and on the environment department's housing budget. Prison building and overseas aid budgets will also be under pressure.

Downing Street said the government's fundamental review of public spending would "inform" this year's decisions, to be announced in November's budget.

In spite of its emphasis on the ferocity of the spending curbs – which mean one departmental budget can only be increased at the expense of another's – the prime minister wants manifesto commitments honoured. In the Commons he emphasised that National Health Service resources would continue to increase.

Earlier, Mr Michael Portillo, chief secretary to the treasury, told MPs that "it will be of great importance to us to ensure that the vulnerable are protected".

With spending totals set for three years in advance, previous spending rounds have seen figures for later years revised substantially upwards. But after Mr Clarke set out his assesment of the economic and fiscal outlook, the cabinet agreed no change in the new control totals of £253.6bn and £263.3bn set last summer for 1994/95 and 1995/96.

Real growth in the new control total for 1996-97 will be restricted to 1 per cent or below. The totals exclude cyclical spending on benefits and debt interest.

A Cabinet statement said the totals were, "intended to keep real growth in spending over the whole period within the underlying growth rate in the economy. It will also make a contribution to reducing the fiscal deficit in the medium term to accompany the increases in taxes announced in the last budget."

# UK car production surges

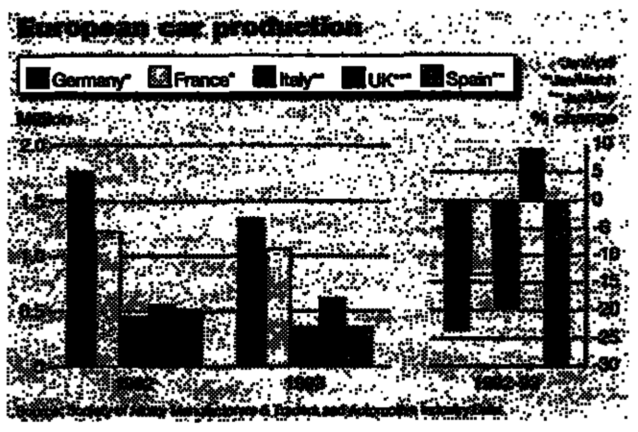
By Kevin Done

UK CAR PRODUCTION jumped by 23.8 per cent in May to reach the highest total for the month for 16 years.

Output rose to 130,374, from 105,234 in the same month a year ago, helped by the rapid increase in output by Nissan, Toyota and Honda, the three Japanese carmakers that have located their first European car plants in the UK.

The scale of the increase stems in part from the weak level of output in May last year, but UK car production has risen strongly in four of the first five months this year with an increase of 9.1 per cent to 608,169.

The jump in UK car output, which is both for export markets and for the domestic market, is in stark contrast to the steep decline in car output in continental Europe.




German car production fell by 23.5 per cent in the first four months of the year to 1.34m, while output in France in the same period dropped year-on-year by 13.6 per cent to 1.06m. In the first quarter car output in Spain was 29.9 per cent lower than in the same period a year ago, and production in Italy fell by 19.5 per cent.

## Britain in brief

## Chancellor ends budget 'purdah'

The treasury's traditional pre-budget purdah is to end, the government announced, as it accepted that Mr Kenneth Clarke's prowess as a politician would inevitably outshine any attachment he had to monastic treasury ritual.

Unlike his predecessors, the chancellor of the exchequer will not be expected to refrain from public appearances in the months approaching the budget. However, the prime minister's office expressed the hope that Mr Clarke would still be "reticent" about tax issues until decisions were announced.

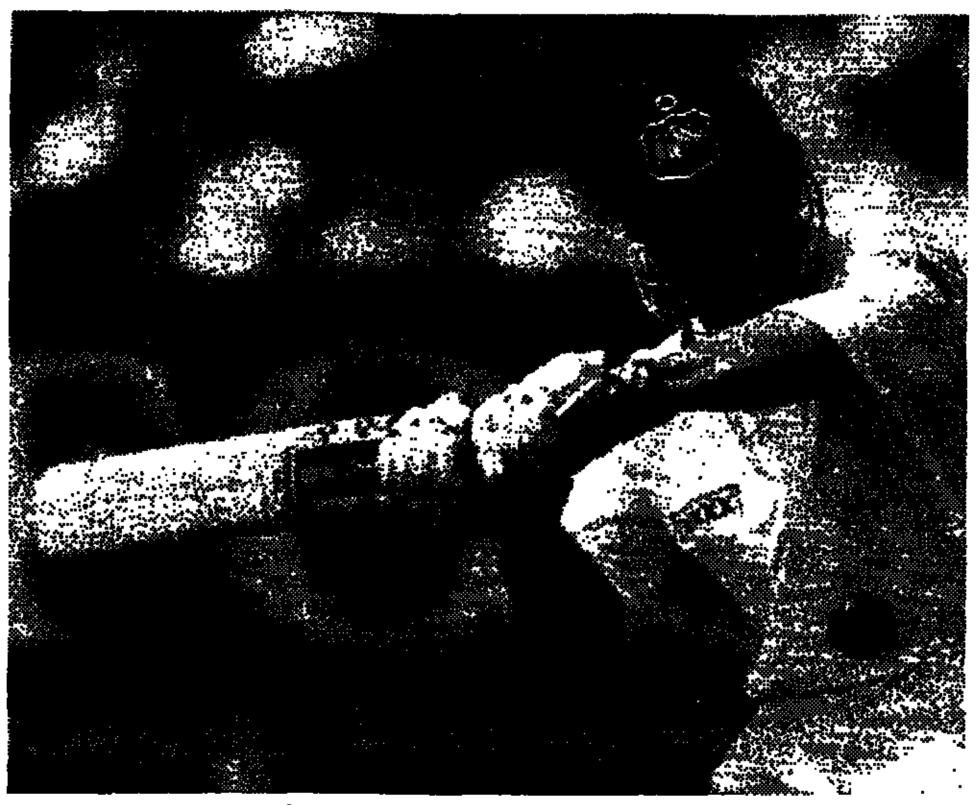
The move was unsurprising given the gradual erosion of purdah. Over recent years treasury ministers have been frustrated at not being able to hail good economic news – and at allowing opposition politicians to set the political agenda. But Mr Clarke was also perhaps the most unlikely Chancellor to observe treasury rules of purdah – named after the tradition of keeping women in seclusion.

## Lobby groups to lose access

Access to government ministers is likely to be curtailed for a large number of trade associations as a result of a policy to restrict contact to a smaller number of "lead associations".

The policy, disclosed in a speech to the Confederation of British Industry, the employers' organisation, by Mr Michael Heseltine, the trade and industry secretary, would apply only to the industry department – the main source of contact for most trade associations.

The aim is to improve the poor quality of industrial lobbying and reduce the plethora of different, and sometimes conflicting voices which demand ministers' attention.



Michael Slater, above, scored 152 on the first day of the second Ashes test at Lord's as Australia accumulated 292 for two on an easy-paced pitch. England trail 1-0 in the series of six matches

## BP backs PRT change to MPs

British Petroleum has written to MPs to welcome the government's proposed changes to North Sea oil taxes.

In a letter from Mr Chris Gibson-Smith, BP's head of European exploration, the company says: "It is in the national interest that these reforms are implemented without delay."

The government has proposed to cut the rate of Petroleum Revenue Tax from 75 per cent to 50 per cent and abolish tax relief on exploration work. On Wednesday, it suggested an amendment to extend transitional aid to smaller companies to cushion them from the immediate effects of the tax changes.

Some rank-and-file MPs and smaller oil companies have criticised the amendment as not going far enough to meet industry concerns.

BP said the tax reforms were publicly supported by companies representing 60 per cent of UK oil production.

Smaller companies claim they would lead to a halving of exploration work and the loss of up to 30,000 jobs.

## EC strategy for south-west

A partnership between the public and private sectors in Bristol and Avon has been set up to agree an economic strategy for the region and to promote it within the European Community.

The partnership, to be run as a company called the Western Development Partnership in Avon, has initial funding for the first year of £250,000 from councils, local industry and the Avon Training and Enterprise Council.

Its formation follows a long period of negotiation amid fears that the effects of the recession have been exacerbated in Avon and the south-west of England by the lack of a united voice to represent the region and promote inward investment.

## Warning on UK water bills

Water bills may need to rise by 6 per cent a year above inflation for the next five years, Ofwat, the water industry regulator, has warned.

The rises would be needed to bring water up to new environmental standards, water companies have told Ofwat. Mr Ian Byatt, Ofwat's director general, told a conference yesterday that "customers must come first. To tell them that water is good value may be true, but they do not want to see their disposable income squeezed."

## Co-op fails to secure merger

The Northern Co-operative Society, north-east Scotland's biggest retailer, applied yesterday to go into liquidation, putting 800 full- and part-time jobs under threat.

Norco, one of the area's biggest employers for 130 years, said last month it was trying to save the debt-ridden business through a merger with the Co-operative Wholesale Society, main supplier to the whole co-operative movement and largest co-operative retailer.

But a CWS board meeting on Wednesday decided not to proceed with the merger. Norco said it had not been able to secure adequate support from its bankers and had no choice but to go into liquidation.

# Union rejects Timex closure deal

## Workers are still bitter and plan mass march over plant shutdown

By Stewart Dalby in Dundee

THE bitter industrial dispute at the Timex plant at Dundee is set to continue after the rejection yesterday by the sacked workers of the company's offer of severance payments in exchange for a return to work and an orderly run-down of the factory before its closure at Christmas.

A mass meeting voted overwhelmingly against accepting the company's offer of work for between 50 and 100 of the workers and negotiations for all 343 dismissed members of the AEEU engineering union. The offer involved those returning to work accepting what workers see as a 27 per cent cut in wages and benefits.

Mr John Kydd, union convenor at the plant, said after the meeting: "There was no way we could accept this offer for some of our members on terms that have already been rejected, particularly as the company has treated us like garbage for the past 20 weeks."

The Timex Electronics Corporation said in a statement: "An opportunity to achieve a lasting settlement to the conflict has been lost.

"Our former workforce could have benefited from a settlement negotiated with the company or through ACAS which would have meant them leaving the picket lines with dignity and a just financial settlement. Local union officials have failed to grasp the reality of plant closure and have again failed their own members."

The company faces the prospects of continued picketing and the campaign to have its products boycotted. Without a negotiated return to work the workers will receive no compensation or redundancy since they are deemed to have dismissed themselves.

Mr Stuart MacIntosh, who has been with the company for 10 years, said on leaving the meeting: "The dispute goes on. We will fight for our jobs and proper redundancy."

A first step will come this weekend with a mass demonstration outside the Timex plant. Organisers hope that 10,000 people will attend from all over Britain.

Mr Campbell Christie, general secretary of the Scottish TUC said: "It was to have been a static demonstration outside the plant but now we are going to have a march."

● Windows were smashed at the Oslo offices of Norwegian shipping tycoon Fred Olsen, owner of Timex Corp, in what an employee said may have been a protest against the Dundee closure.

# BT to lower fraud check charges

By John Gapper, Banking Correspondent

BANKS and credit card companies have warned British Telecom that they may use US telecommunications companies or BT's rival Mercury to carry out electronic fraud checks on card purchases unless it cuts charges substantially.

*The credit and debit card companies* have also warned that if they do not win lower prices for "on-line" verification, they could install technology in shops to allow *them to check for fraud* without using telecommunications links.

The warnings have been given in joint talks between the banks and credit card companies and BT over the price for the rapidly growing number of on-line fraud checks, which the banks believe may reach 1bn a year by 1996.

BT emphasised yesterday that it intended to offer price reductions, and wanted to reach a deal that would allow *the market to expand. Only 20 per cent of* the 1.2bn card transactions made last year were checked for fraud via telecommunications lines against an 85 per cent check rate in the US.

BT last year agreed a deal with Barclays and National Westminster Bank which halved the cost of fraud checks via BT's network. Barclays estimates that each on-line check now costs 4.5p in telecommunications charges.

Mr Richard Reay Smith, chief executive of Barclays central retail services, said UK telecoms costs were "still very high" compared with the US and unless they were *cut banks might opt for other checks.* He said that card processing companies in France had opted for "off-line" checks such as customers using cards to key in a personal number at the point of sale because of high telecoms charges.

# A little good news for Mr Major

## Philip Stephens, Political Editor, finds Europe and the economy in the skilful hands of two very astute, if contrasting, politicians

THERE have been two unaccustomed reminders this week that Mr John Major's government can now lay claim to the occasional political strength among its all-too-manifest weaknesses. They came from Mr Kenneth Clarke and Mr Douglas Hurd.

On Tuesday Mr Clarke offered few insights into how the substance – as distinct from the rhetoric – of his chancellorship will differ from that of his predecessor.

Even for a government so familiar with U-turns, the constraints imposed by Britain's budget and trade deficits and by the gloomy world outlook do not allow for radical policy shifts. Over time, Mr Clarke's priorities may well turn out to be distinctly different from those of Mr Norman Lamont. But in the short term policy changes will be at the margin.

His typically unconventional performance was important nonetheless. Mr Clarke sent an important message to the government's disgruntled supporters. After a long excursion into theoretical debates about the relative worth of monetary or exchange rate targets, economic policymaking is to re-enter the real world of jobs and *living standards.*

Reassurance of a different kind came from Mr Hurd. The *easy elegance of the foreign* secretary stands in stark contrast to the rough-edged populism of the chancellor. But there is a common denominator – instinctive political skill.

So, after the ravages of Maastricht, Mr Hurd yesterday had soothing words for MPs on the European Community's agenda for next week's Copenhagen summit and beyond.

His message was straightforward: Britain is not alone in suffering from post-Maastricht depression – anyone who has followed the pronouncements in recent weeks of Chancellor Helmut Kohl or those of the new French administration of Mr Edouard Balladur will understand that.

Belgium, which assumes the EC presidency next month, will continue to further the cause of federalism. It will do as much as it can to hold up the enlargement of the Community to include Austria, Finland, Sweden and Norway. So will some others. They might even manage the odd "Britain isolated" headline with a rhetorical *ambush* at the autumn summit planned to salute *Maastricht's ratification.*

*But the political realities in* Germany – Chancellor Kohl has one or two domestic problems on his mind – and the Gaullist instincts of the new French government had undercut decisively the integrationist reflex of the 1980s. The economic impact of recession meanwhile had reduced to wishful thinking the timetable for monetary union.

Britain's agenda – enlargement, subsidiarity (now a respectable word in continental Europe) and intergovernmental co-operation – was now making the running.

It all sounded pretty convincing, even if Mr Hurd still shares the incurable weakness of most in under-estimating the capacity of the Franco-German axis to make trouble for Britain.

His skilful presentation to the foreign affairs committee also reinforced the essential political point. For several years British domestic politics has been dominated by two issues – the economy and Europe. They are now being handled by the two most powerful members of the cabinet.

Mr Hurd and Mr Clarke also happen to share the same view of the world (the latter ran the former's campaign for the party's leadership). Who better to apply the patches necessary to hold together a bitterly divided party?

But like Mr Clarke, Mr Hurd is offering short-term respite rather than medium-term strategies. By changing the rhetoric the chancellor has bought himself time to consider options while economic recovery takes hold. Similarly, the foreign secretary is cleverly exploiting post-Maastricht exhaustion across Europe to sustain the impression that Britain can shape its future.

For all the talk, though, of setting the agenda, there is a growing realisation at Westminster that the government has opted for what used to be called the European slow lane.

It has said the pound will stay outside the ERM at least until 1996. In a few unscripted remarks in the Commons last week Mr Major undercut the purpose of the *Maastricht* opt-out on EMU by indicating that, whatever others decide, sterling will never be part of a single currency. Britain is outside the Schengen group of France, Germany and the Benelux countries.

All this makes for relative tranquility on the Tory backbenches. But however eloquent the exposition, Mr Hurd will find it hard to sell as a strategy which keeps Britain at the "heart" of Europe.

# Aid targets named as China, Indonesia

By David Dodwell World Trade Editor

AID for exporters under the UK's Aid and Trade Provision is to be increased this year and targeted mainly at China and Indonesia, the government said yesterday, after a year-long review of ATP's future.

The ATP budget for 1993-94 will rise by more than 6 per cent from £110m to £117m, mainly as a result of unspent funds available for last year being carried forward.

The decision to target China and Indonesia follows criticisms that the impact of the ATP budget had been blunted in the past because it had been spread too thinly across projects in the developing world.

"These are major growth markets where the best opportunities arise for British companies to win subsequent business on non-aided terms," an official said yesterday.

Other eligible countries – that is creditworthy countries with annual income per head of less than $700 – are India, Ghana, Lesotho, Pakistan, the Philippines, Sri Lanka and Zimbabwe.

Funds available for these countries will depend "on a complex mix of the spend rate on existing projects, the 'strike rate', and the spend rate of new projects," the official added.

The review has also led to new procedures aimed at speeding decisions on whether ATP will be available or not, and more rigorous methods for checking the success of aid-funded projects.

Eligible contracts will be *worth more than £2m,* but less than SDR50m (£45m) – the threshold beyond which any aid-funded project must be referred to the Organisation for Economic Co-operation and Development.

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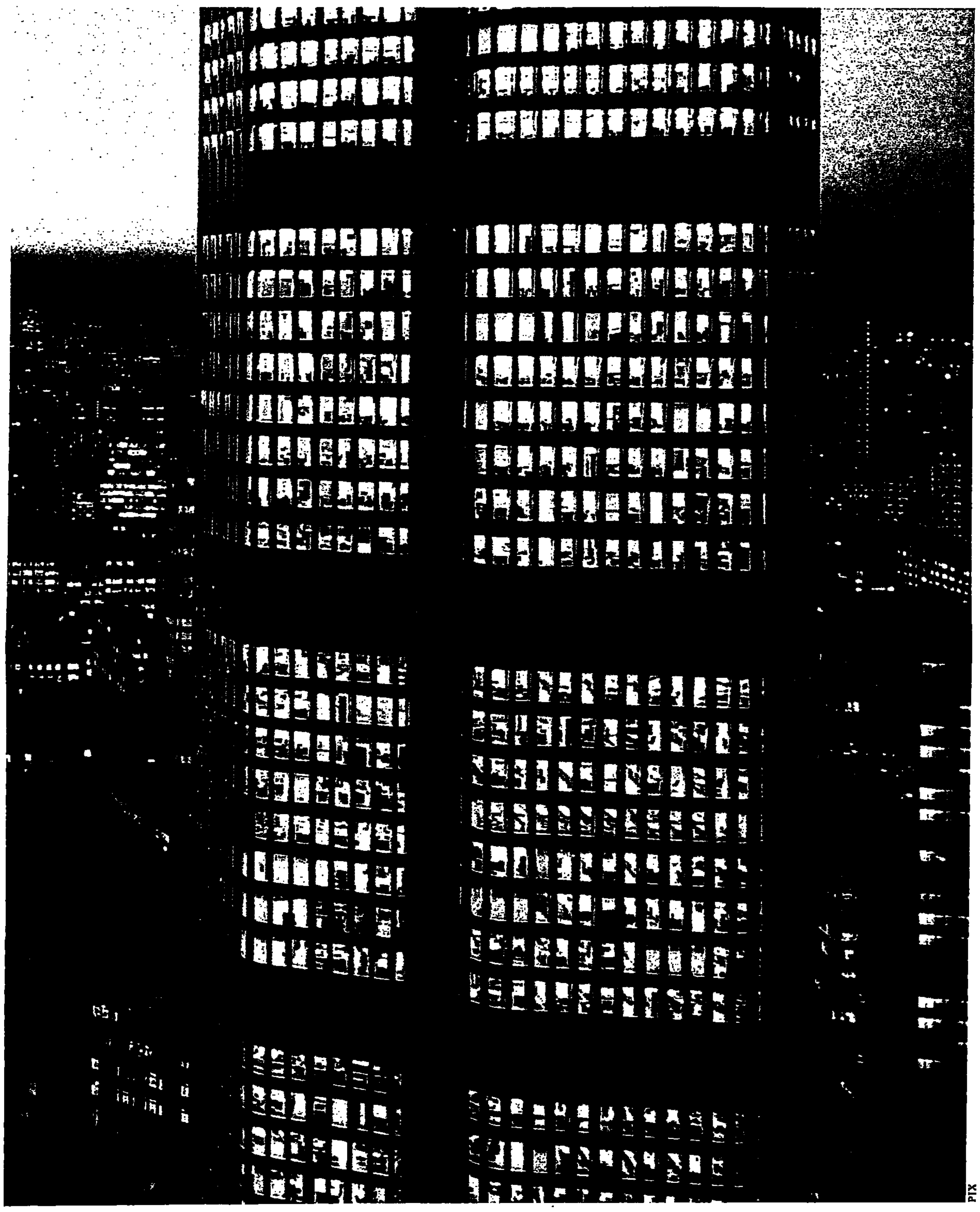

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# Reform vote may herald Japanese poll

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party was scrambling last night to muster the numbers to stave off defeat in a no-confidence vote, scheduled for today, that could force Prime Minister Kiichi Miyazawa to call a snap election.

The no-confidence motion was proposed yesterday by three opposition parties, which are confident that defections from the ruling party will swing the vote their way.

The move came after the LDP in effect ended debate on changes to the scandal-prone political system, provoking anger among LDP reformers who wanted party leaders to negotiate a reform package with the opposition.

The prospect of instability has cast a shadow over the Group of Seven summit of leading industrial nations, due to be held in Tokyo on July 7-9. If the LDP is defeated in today's vote, Mr Miyazawa's grip on power will be greatly weakened, and he may be forced to resign to take responsibility.

Visiting leaders could find themselves caught in the middle of an election campaign, as a poll should be held within 40 days of a successful no-confidence motion. The government hoped the summit would be a showcase for the country's growing international role but, instead, the event could highlight the inadequacies of the LDP's leadership.

The no-confidence vote will hinge on the actions of Mr Tsutomu Hata, the leader of a pro-reform faction in the LDP, who yesterday suggested that he was prepared to vote against his party. If the 35 Hata faction members do defect, the motion will be carried.

The likelihood of continuing instability prompted business leaders to call on the LDP to reach a compromise with the opposition parties. Mr Yuji Tanahashi, vice-minister of international trade and industry, attributed the weakness of Tokyo stock prices in recent days to political conflict.

LDP officials were hoping last night to convince reformers to stay with the party by offering to extend the present session of parliament, scheduled to end on Sunday, by another two weeks to continue the reform debate.

But Mr Hata has indicated that he sees the no-confidence vote today as an important turning point in Japanese politics. If his faction does retreat from the commitment to reform, Mr Hata's personal credibility will be undermined and the LDP will be able to return to politics as usual.

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# Miyazawa's frail grip exposed

## Robert Thomson on the cruel humbling of the Japanese prime minister

A FEW days ago Mr Kiichi Miyazawa, Japan's prime minister, looked forward with justifiable relish to the Group of Seven summit next month in Tokyo where he would have been one of the stronger world leaders on display. Now he will be fortunate if he has the pleasure of hosting the gathering.

His relative strength was partly a reflection of weakness or changes elsewhere in the world leadership, but Mr Miyazawa's frail grip on Japanese power has been cruelly exposed by the events of the past few days.

Instead of showing leadership, he has been relegated to a bit part by other faction leaders in the ruling Liberal Democratic party.

Mr Miyazawa's fate will be determined by a no-confidence motion presented yesterday by opposition parties and scheduled to be voted on today in the lower house of the Diet, the Japanese parliament. If the vote is lost, the prime minister must dissolve his cabinet or call a general election within 10 days.

LDP officials were coaxing reform-minded members of the party not to abstain or defect during the no-confidence vote, and one compromise apparently offered last night was Mr Miyazawa's political head. The resignation of the prime minister would not itself bring political reform, but it would enable the reformers to argue that they had achieved something.

Mr Miyazawa was said yesterday to "regret" that he had not supported the original LDP proposal for reform, which could not win parliamentary approval and was designed to ensure that the scandal-prone political system remained unaltered.

Japan has a system of multi-seat constituencies which encourages competition among the LDP factions, making politics an expensive business and tempting politicians to accept illegal donations in return for a wink, a nod and a lucrative construction contract.

Opposition parties are in favour of a system mixing single seats and proportional representation, which they reckon would increase their chances of success against the LDP. The four largest opposition parties are yet to agree on the fine details of reform, but they did agree to move the no-confidence motion yesterday against the Miyazawa cabinet.

Even if the no-confidence motion fails, Mr Miyazawa, aged 73, has given another bumbling performance this week that has lowered his standing and probably shortened his prime ministerial life.

For a month last year, during the height of a corruption scandal, he was speechless when asked about the fate of the scandal-stricken godfather of Japanese politics, Mr Shin Kanemaru. The mute Mr Miyazawa was mocked by television reports, which showed him inspecting dairy cattle, attending local fairs, and ambling into parliament but refusing to answer Kanemaru-related questions. He was reticent because Mr Kanemaru had kindly done the backroom work to ensure his appointment as prime minister.

Miyazawa has given another bumbling performance this week

In the weeks after this self-imposed silence, Mr Miyazawa's popularity rating plunged to 12 per cent – at last count it was 25 per cent. These poor returns are in contrast to the popular optimism at the time of his appointment two years ago, when he was portrayed as the thinking person's LDP faction head, relatively liberal and, perhaps, the man to wield the reform broom.

"The most important task of my time in office will be to get rid of money politics," he said then. But he has not been able to bring himself to overturn the system which made him, leaving him particularly vulnerable at a time when an appropriate scapegoat is needed.

Before he lost control of the reform debate, Mr Miyazawa had a fair chance of extending his stay in office when the present term ends in September. He knew his place, leaving other LDP factions to bicker over the policies that mattered most to them, while showing signs of leadership during a difficult debate over whether Japanese military personnel should be sent abroad on peacekeeping missions.

But his chances of a second term have diminished each day this week. If a snap election is held, the LDP is likely to fare badly, and the prime minister will be under extreme pressure to resign. If an election is not called, he will face continuing attacks from the reformers in the LDP.

Mr Miyazawa, and other LDP elders, must long for the return of Mr Kanemaru, who is awaiting trial on tax evasion charges. The godfather had the clout to keep maverick factions in line, and it was the splitting of his own faction that led to the creation of the one led by Mr Tsutomu Hata, a former finance minister, which is threatening to vote against the government today.

Perhaps the prime minister was prescient when he at last ended his self-imposed silence on the Kanemaru case – on the day the godfather resigned, a dazed Mr Miyazawa shook his head and said: "It's a very unfortunate thing."

# S African right wing to return to talks

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S constitutional negotiators yesterday appeared to have averted a serious crisis after the government and the African National Congress made concessions to permit the Inkatha Freedom party and its allies to return to talks.

Inkatha and five of its conservative allies stormed out of the 26-party negotiating council on Tuesday, raising fears that the conservative bloc known as the Concerned South Africans Group (Cosag) would boycott the talks permanently.

Cosag returned to the talks after the council accepted its demand that the merits of a federal versus a unitary state should be considered, as well as different forms of transition to democracy – whether a constitution is written by elected or appointed representatives.

The walk-out provoked a test of strength between the conservative bloc headed by Inkatha, and blocs led by the ANC and the government, which often act together in the talks. The ANC and government clearly decided to give in to Inkatha's demands rather than provoke a permanent withdrawal.

But the solution – to refer to a technical committee the questions of form of state and transition – does no more than postpone the crisis. The council must decide on the two issues within the next few weeks. At that point, those who disagree may again walk-out.

Some members of the Cosag group – notably, the white right-wing Conservative party – seem likely to withdraw permanently once the form of state is finally decided. The Conservative party demands a separate homeland for Afrikaners within a confederal state, a position opposed by almost all other parties to the talks.

Inkatha's participation remains in the balance. Chief Mangosuthu Buthelezi, its leader, will have been placated by yesterday's decision to accommodate some of its procedural demands. But Inkatha's continued participation will depend on whether other negotiators are prepared to compromise on substance as well.

# Egypt to seek IMF deal to ease debt

By Mark Nicholson in Cairo

SENIOR Egyptian economic policy makers will go to Washington early next week to try to reach an accord with the International Monetary Fund which would trigger forgiveness of around $4bn (£2.5bn) in Paris Club debts.

Mr Atef Sidiki, the prime minister, said after a gathering of Egypt's top economic aides on Wednesday that talks towards the agreement, which have been under way since April, were "advancing with rapid steps". He said differences between the government and the IMF and World Bank were "limited to small areas".

But western economists say neither the IMF nor World Bank is entirely happy with Egypt's speed or energy in implementing reforms designed to steer the economy towards a free market. An official familiar with the talks put the chances of reaching an agreement during next week's discussions at "40:60 against".

The IMF executive board endorsed Egypt's first agreement with the agency in March, after several months' delay. Under this accord Egypt trimmed its budget deficit, cut inflation, stabilised its currency and bolstered reserves while making a start on structural reforms.

Next week's trip by Egyptian officials follows IMF visits to Cairo in April and May which made "some progress", according to officials, but left a series of outstanding differences. Western economists say agreement has to be found on a figure for Egypt's budget deficit – government officials have said the IMF is seeking a cut from 3.5 per cent of GDP under the present agreement to 2 per cent – the pace and breadth of proposed income tax reforms and the IMF's call tariff cuts.

The World Bank, meanwhile, wants Egypt to accelerate a privatisation programme now running well behind schedule.

The government in February bowed to heavy IMF and World Bank pressure by listing 16 assets and companies for immediate sale, but no deal has been finalised. "The big question is if the government is unable to sell them, or doesn't want to sell them," said a western economist.

World Bank approval of Egypt's structural reform efforts is an informal precondition for final IMF agreement to a new accord. Cairo's need for an accord lies not in any attendant standby loan, since Egypt is sitting on record reserves of $14.3bn, but rather in the triggering of further debt relief.

Egypt's Paris Club donors agreed in 1991 to forgive 15 per cent of its then outstanding $20bn debt and write off a further 15 per cent on reaching a first IMF accord – which was achieved in March.

# Khmer Rouge invitation alarms west

By Iain Simpson in Phnom Penh

THE POSSIBILITY of Khmer Rouge officials being included in the new Cambodian government yesterday alarmed politicians and foreign observers a day after the interim administration was formally announced.

Prince Norodom Sihanouk, the head of state, released a statement saying there would be no Khmer Rouge officials in the government. The day after announcing the formation of a new interim administration, he said only members of elected parties could join the government.

However, at the same time the prince published a letter to Mr Khieu Samphan, the nominal leader of the Khmer Rouge, inviting the faction to send representatives to Phnom Penh to hold "family-style" talks with the interim government.

For months, the prince has talked of the need for a government of national reconciliation in Cambodia, in other words including all the factions that fought each other in the country's long and brutal civil war.

When the prospect of Khmer Rouge representation was first raised by Prince Sihanouk in a speech to the Constituent Assembly on Tuesday, there was a swift and hostile reaction from the US. Officials in Washington and diplomats in Phnom Penh made it clear they would resist any Khmer Rouge involvement in a Cambodian government.

Prince Sihanouk's statement was intended to calm US fears and to assuage the Cambodian People's party, the former communist party which has ruled the country and fought a civil war against the Khmer Rouge since it was installed by Vietnam in 1979.

Earlier yesterday Prince Sihanouk received the leaders of a short-lived but violent movement for autonomy in eastern Cambodia, one of whom was his son, Prince Chakrapong. He and General Sin Song, one of the other leaders of the movement, arrived at the palace together with Mr Hun Sen, the prime minister of the outgoing Phnom Penh administration.

On Tuesday, the leaders of the zone crossed the border into Vietnam, in effect ending their five-day attempt to secede from Cambodia in protest at what they said was widespread fraud in last month's United Nations-sponsored election. Prince Sihanouk welcomed their decision to abandon the autonomous zone and said that now, in eastern Cambodia, everything has returned to order.

# S Korean steel executives held

By John Burton in Seoul

SOUTH KOREAN prosecutors have completed their corruption investigation of Pohang Iron and Steel (Posco), the country's main steel company, by arresting two company officials.

They also claim that Mr Park Tae-joon, who established the state-controlled group 25 years ago and served as its chairman until last October, received a total of Won3.9bn (£3.2m) in bribes from subcontractors and embezzled another Won79m.

Mr Park fled to Japan after the government began an unprecedented tax audit of Posco in February.

Mr Hwang Kyung-ro, who briefly succeeded Mr Park as chairman before resigning in April, was arrested on bribery charges along with Mr Yoo Sang-boo, a vice-president and former manager of plant construction.

The presidents of two subcontractors who allegedly bribed the Posco executives have also been arrested.

The probe of Posco, which is part of the new government's anti-corruption campaign, has been criticised as being politically motivated.

Mr Park, a former senior official in the ruling Democratic Liberal party, last year opposed the presidential candidacy of Mr Kim Young-sam, who was elected last December.

Posco is one of the few companies that has been extensively investigated by the new government on corruption charges.

The results of the investigation have proved to be surprising since Mr Park was considered to be one of the country's most able businessmen, with a reputation for honesty.

Mr Park, a former army general, was ordered by then military government in 1968 to create the nation's steel industry from scratch. Despite doubts that he would succeed, he transformed Posco into the world's third largest steel company and one that remains profitable while most of its main international competitors suffer losses.

Mr Park was also a pioneer in providing social services to his workers, although his management style was criticised for being authoritarian.

# Bond bailed on charges over Manet

By Bruce Jacques in Sydney

MR ALAN BOND, the bankrupt Perth businessman, has been released on A$200,000 (£88,000) bail after appearing in the Perth Court of Petty Sessions yesterday on charges relating to the use by Bond Corporation, his former corporate flagship, of a valuable Manet painting.

Mr Bond appeared on four charges laid by the Australian Securities Commission (ASC) following investigations into events in 1988 and 1989 involving the painting, La Promenade.

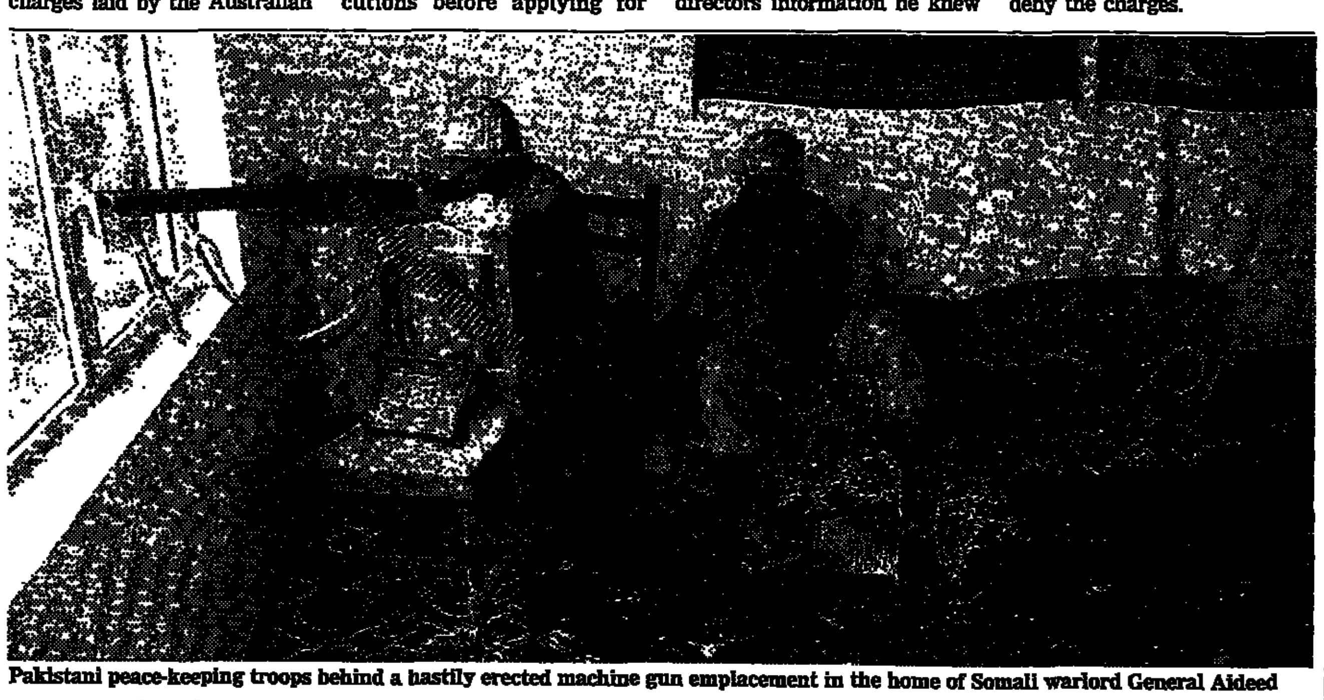
The court ordered that Mr Bond, who was not required to plead, appear again on August 12. It also ordered that Mr Bond surrender any passport not already held by his trustee in bankruptcy and notify the federal director of public prosecutions before applying for return of his passport or permission to travel.

In part, the ASC charges allege that Mr Bond, with intent to deceive or defraud, failed to notify the board of Bond Corporation (since renamed Southern Equities) of an opportunity to acquire La Promenade at a cost substantially less than market value.

The ASC also alleges that Mr Bond gave Bond Corporation directors information he knew to be false and permitted the furnishing of false information to an auditor of the company.

The ASC said in a statement yesterday that the La Promenade investigation had been lengthy and complex and had been conducted in conjunction with the federal police.

In a statement released after the hearing, lawyers for Mr Bond claimed he was being singled out, and would vigorously deny the charges.



Pakistani peace-keeping troops behind a hastily erected machine gun emplacement in the home of Somali warlord General Aideed

# Pakistan cherishes peace role

## Farhan Bokhari looks at a UN route to winning friends

PAKISTANI troops in the United Nations force in Somalia have this month been at the centre first of tragedy, when 23 of their number were massacred by Somali gunmen, and then heated controversy when 12 civilians died in crossfire when the soldiers shot at a demonstration in Mogadishu. Yesterday at least one more Pakistani was killed in fighting in the capital.

Pakistani soldiers also are serving in the UN operation in Cambodia. Islamabad believes that acquiring a peacekeeper's role will help its diplomatic case on the disputed Indian state of Kashmir.

The two countries disagree on ways to resolve the issue. While New Delhi claims that Kashmir is in an internal matter, Islamabad demands that the future of the state should be determined under UN resolutions calling for a plebiscite.

"Pakistan believes that UN peacekeeping is the only rational alternative to unilateral imposition of the decisions of major global or regional powers," said a foreign ministry spokesman recently when asked about the motives for sending soldiers to join the Blue Helmets.

Both Pakistan and India have fought three wars and there have been exchanges of fire on a number of occasions between the thousands of troops deployed on each side of the disputed border in Kashmir, known as the line of control. Tensions have been mounting in the state during the past three years amid intense guerilla operations waged by separatists. India has accused Pakistan on a number of occasions of supporting those militants, a charge which Islamabad denies.

In recent days, some senior officials have said that joining the UN deployments would also strengthen their case for continuing with the United Nations Military Observers Group in India and Pakistan (Unmogip) operation either until the Kashmir issue is resolved or at least until relations improve and tensions are lowered.

Unmogip has been in place since 1949. It consists of military observers drawn from UN member countries who monitor the line of control.

In spite of recent events in Somalia, Pakistan is likely to try to join other operations. "A large Moslem army of almost half a million certainly gives Pakistan an edge in operations in Moslem countries where there will be less resentment from the local population," says one western diplomat.

# Congress party chiefs give full support to Rao

By Shiraz Sidhva in New Delhi

THE TOP policy-making body of India's ruling Congress party yesterday expressed "full faith and confidence" in the leadership of Mr P V Narasimha Rao, the prime minister, who was accused on Wednesday of accepting a bribe of Rs10m (£210,000) from Mr Harshad Mehta, the stockbroker at the centre of the Bombay securities scandal.

The Congress working committee said it saw a "sinister game and pattern" behind Mr Mehta's "baseless and malicious aspersions". Mr Arjun Singh, a cabinet minister, and Mr Sharad Pawar, chief minister of Maharashtra state, who are the prime minister's two main opponents within the party, staunchly supported Mr Rao, who seemed tired and distraught after the latest political storm in his turbulent two-year tenure.

At a press conference on Wednesday Mr Mehta alleged that he had given Mr Rao a suitcase-full of money to fund a by-election in November 1991, five months before the Rs50bn Bombay financial scandal which brought Mr Mehta's downfall.

Rumours that Mr Rao would resign had unsettled Indian stock markets yesterday, but trading was thin.

Opposition leaders none the less demanded the resignation of Mr Rao.

The Hindu Bharatiya Janata party, the largest opposition party, which is currently holding its annual policy-making meeting in the southern city Bangalore, said that the country "could not afford a scam-tainted and insecure prime minister" and demanded an independent investigation into the stockbroker's allegations.

Several members of the parliamentary committee investigating the financial scandal yesterday demanded that Mr Rao be summoned before the committee for questioning.

Mr Mehta's lawyer yesterday demanded that the government's Central Bureau of Investigation investigate the charges against the prime minister.

**Police yesterday arrested Ms Medha Patkar, India's most prominent environmentalist, and 85 of her supporters on the 15th day of her fast to prevent the multi-billion dollar Narmada dam project going ahead, Reuter reports from Bombay.**

**The project will displace nearly 200,000 people in three states. Ms Patkar says the government must suspend work and announce a complete review of the plan before she will give up her fast.**

**Police said they arrested her "because her health was deteriorating" and to prevent any trouble.**

# Attempt to put Nigeria polls back on course

By Paul Adams in Lagos

NIGERIA'S National Electoral Commission yesterday announced it would appeal against this week's court ruling restraining it from publishing election results.

It said it was taking the case to the appeal court in an effort to put the country's presidential elections back on course. A high court ban on the outcome of Saturday's presidential elections threatened to undermine the democratic process which is due to restore civilian rule on August 27 and cast fresh doubts on the readiness of President Ibrahim Babangida to hand over power.

Mr Ahmed Kusamotu, the chairman of the electoral commission, said yesterday that the suspension of the result was not in the best interests of democracy in the country.

"The NEC is being manipulated by the authorities," said Mr Amos Idakula, a spokesman for the Social Democratic Party, which had a commanding lead in the polls after half the 30 states' results had been announced earlier this week.

The Campaign for Democracy echoed the sense of injustice felt by many Nigerians at the legal wrangle which has disrupted the presidential polls. "What upsets us about this court order is that it comes from a justice minister who gave the NEC complete discretion to carry out the polls," said Dr Beko Ransome Kuti.

The electoral commission is directly responsible to President Babangida for the successful outcome of Nigeria's presidential poll. The rival National Republican Convention has also condemned the commission decision even though it looks set to lose if the result is announced.

There were reports that the military government had tightened security across the country. In the mainly Moslem northern city of Kano, state radio said police banned unauthorised public gatherings and processions "to avoid a breach of the peace".

**NEWS: WORLD TRADE**

# Paris tries to avert split on telecoms

By David Buchan in Paris

FRANCE is pressing Bonn to reconsider its apparent decision to opt out of EC telecommunications sanctions against the US, before next week's EC summit at Copenhagen.

The Community and the US are at odds over a provision in the EC's public procurement directive giving European companies a 3 per cent price advantage when bidding for government contracts.

In protest at the price preference in the telecommunications field, Washington has denied EC companies the right to compete for a certain amount of its contracts. As a result, Community ministers agreed earlier this month to deny US companies a similar amount of business.

Mr Alain Lamassoure, France's EC affairs minister, said yesterday that Paris was surprised not to have had precise clarifications on the telecommunications affair from Bonn. He described as "serious" Germany's refusal to apply both the price preference and the retaliatory measures.

Stressing that Germany had agreed to the procurement directive and anti-US sanctions, Mr Lamassoure complained that "there can be no European identity unless decisions taken together are applied together".

Germany argues that its 1954 accord with the US takes precedence over EC solidarity on this issue.

"Either a member state [Germany] has not respected its commitment," Mr Lamassoure said, "or the state of EC law is such that it allows a member state to wriggle out of a unanimous decision – in either case, it is not good."

Paris is pressing Bonn directly, as well as through Brussels, in the hope of defusing the issue. Mr Lamassoure pinned hopes on the fact that Chancellor Helmut Kohl has not yet publicly backed his economics minister on the matter, and may not be pushed to do so before the Copenhagen summit where the German leader is certain to be lobbied by President François Mitterrand.

# Ceasefire in Pacific air war

By Emilia Tagaza in Melbourne

A LOOMING air services war between Australia and the US was averted yesterday when both sides agreed to lift sanctions against each other's airlines – Northwest Airlines and Qantas. The ceasefire will hold while the two governments renegotiate the terms governing the airlines' services, particularly Northwest's lucrative Japan-Australia-US flights.

The Australian government has banned one of Northwest's three weekly flights from New York to Sydney via Osaka. It claimed the American airline had contravened an agreement that it would not offload or take in half of its passengers in Sydney. Northwest has claimed that the so-called 50 per cent rule was an "informal" agreement. In retaliation, the US ordered cancellation of Qantas's three non-stop Sydney-Los Angeles flights.

Senator Bob Collins, Australia's transport minister, said the agreement allowed Northwest to resume its Sydney services as long as it observed the 50 per cent rule. He said the US government had also agreed to withdraw its banning order on Qantas.

# Aid urged for E Europe steel cuts

## Germans call for east and west to co-operate in reducing capacity

By Quentin Peel in Bonn

THE German steel industry yesterday called for the European Community to help pay for the social costs of cutting steel production capacity in eastern Europe, in exchange for the firm promise of reduced output.

Urgent action was needed for eastern and western Europe to co-operate in capacity cuts and ensure that steel trade is conducted at fair prices according to the rules of the General Agreement on Tariffs and Trade, said Mr Ruprecht Vondran, president of the German steel federation.

He suggested that the bill for social subsidies to eastern Europe need not be steep: Ecu100m (£78.60m) would pay for a year's wages for 40,000 redundant steelworkers in countries such as Poland, Hungary and Czechoslovakia, providing time for job-creation and retraining measures.

Mr Vondran, who was speaking at the Aachen technical university, warned that restructuring plans in eastern Europe were being drawn up in a haphazard way, although the eastern governments realised the need for large-scale capacity cuts.

With a workforce of some 350,000, the east European industry was working at barely 50 per cent of its former 56m tonnes capacity.

In western Europe, the steel industry was facing capacity cuts of 30m tonnes of raw steel capacity, putting up to 100,000 people out of work. The German industry alone had decided to cut 8.5m tonnes of raw steel capacity, and 4m tonnes of hot rolling capacity, since the beginning of last year. At least 30,000 jobs would be lost, he said.

"The eastern European steel producers are trying to save themselves through exports," Mr Vondran said. "But EC acceptance of them has limits."

The east Europeans had drawn up "sweeping adjustment plans" but implementation of them was held up by lack of the "social mechanisms" to handle mass redundancies.

"In this situation, it is in the interests of the European Community and its eastern European neighbours to conduct cross-border talks on putting into effect capacity adjustments. The EC could offer to take on part of the social costs arising from the necessary cutback in production potential," he said.

The extent and timing of capacity cuts would be determined in the negotiations and, at the same time, the east Europeans would be expected to introduce western environmental protection standards and trade strictly according to Gatt rules.

It should then be possible for the European Bank for Reconstruction and Development and other west European financial institutions to provide loans for the remaining east European steel mills, to improve their product quality and efficiency, he said.

He suggested that the plan need not be conducted at multilateral negotiations but on a country-by-country basis on the principle of voluntary collaboration.

# New role in prospect for cold war relic

By Leyla Boulton in Moscow

COCOM, the western watchdog on sensitive exports to Communist countries, stands to become the latest casualty of the cold war under plans for it to police non-proliferation of weapons of mass destruction from both west and east.

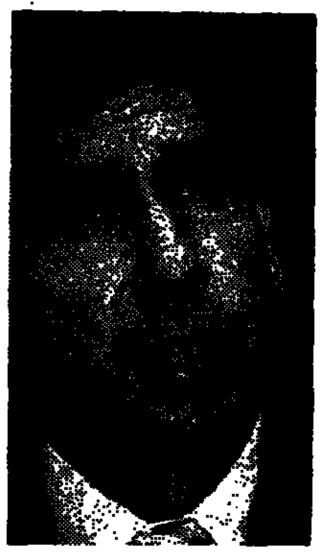
While President Boris Yeltsin continues to complain about Cocom restrictions on exports of advanced technology to Russia, the Paris-based Co-ordinating Committee for Multilateral Export Controls has been holding quiet consultations on a new form of co-operation with former Soviet bloc countries.

Western diplomats said the two sides had agreed a procedure for gradually lifting remaining restrictions on former Soviet republics as they implement their own effective export controls modelled on the Cocom system. The idea is to prevent western and Soviet technology alike falling into the third world hands.

Following the collapse of the Soviet Union, Russia, the main successor republic and the biggest producer and owner of nuclear weapons, found itself without proper borders between itself and the other newly independent republics. This made it vulnerable to the dangers of illegal exports of its own sensitive technology.

Its lack of controls has also stoked fears of potential trading partners that their technology could easily be passed on to third countries.

The transformation is likely to pick up steam once Russia submits a long-delayed letter committing itself to a new export control system. The advantages for Russia are three-fold: it will be able to buy freely western sophisticated technology with potential military applications; it will be in a stronger position to export its own military technology; and it will learn from western countries experience in what one diplomat described "controlling exports without stifling companies".



Kantor: hopeful

Brittan: complications

# Veil of secrecy on US-EC trade talks

By David Dodwell, World Trade Editor

US and European Community trade negotiators kept a veil of secrecy around their meeting yesterday at an unknown London location, with officials revealing only that they "compared notes and positions" on a market access deal to be presented next week at a trade ministers' summit in Tokyo.

Sir Leon Brittan, the EC chief negotiator, is understood to have told Mr Mickey Kantor, his US counterpart, that the controversial bilateral US-German peace accord on the EC-US dispute telecommunications trade "had complicated matters".

Hopes have been raised that Japan, the EC and the US might provide momentum towards a successful conclusion to the Uruguay Round of talks on world trade liberalisation by agreeing a three-way tariff cutting deal across a range of manufacturing and services sectors.

At the OECD ministerial meeting in Paris just two weeks ago, Mr Kantor predicted that "we are at last within striking distance of the largest market access package in history". The mood yesterday was more cautious.

The deal is due to be thrashed out in Tokyo next week when trade ministers from Japan, the US, the EC and Canada meet.

A limited number of issues now block settlement: Japan is refusing to bow to pressure to cut to zero its tariffs on imports of spirits, and wood and wood products. The EC in turn is baulking at similar tariff cuts for electronics products, agricultural machinery, and non-ferrous metals.

The US is refusing to cut tariff peaks on ceramics, glass, and on textile imports.

# OECD concern on position of punt

By Tim Coone in Dublin

THE devaluation of the punt in January caused by last autumn's currency crisis has restored the competitive position of Irish exports and helped re-establish the basis for economic expansion, the OECD, says in its annual report on Ireland published today.

The underlying rate of inflation should therefore re-stabilise at about 3 per cent, while real incomes and personal consumption should continue growing at about the same rate, it says.

The OECD warns, however, that a renewed divergence in monetary conditions in the UK and Germany, with the former's rates falling and the latter's remaining firm, could put renewed pressure on Irish interest rates and the punt.

"[Ireland's] link to the D-Mark may imply that Ireland could continue to experience monetary conditions tighter than required by domestic needs," the report says.

The credibility of this link and the government's macroeconomic strategy of convergence under the Maastricht criteria, will depend upon Dublin's commitment and adherence to the target of keeping the exchequer borrowing requirement under 3 per cent of gross domestic product and making further progress in reducing the debt/GDP ratio, the OECD says.

The report forecasts a deterioration in the employment rate by almost 3 percentage points during this year and next, and says that, although the growth rate in manufacturing "has generally tracked that of the OECD at large, the increase in employment in private services has been much slower".

Tax incentives to attract high-technology industries to Ireland had distorted the tax structure, it says, placing a higher burden on labour. This should be eased by a reduction of a tax bias in favour of property investment which "is large even by international standards".

The report calls for greater emphasis to be placed on vocational training "because a large number of unemployed young people have low educational attainment and limited qualifications".

Restrictive practices "associated with barriers to entry and other trading restraints" in telecommunications, transport, financial services and the professions are also "imposing a deadweight on the rest of the economy".

# Collorgate protagonists breast moral tide

## Despite public outrage, no-one has even been indicted yet, writes **Christina Lamb**

ONE YEAR after the start of investigations which culminated in the impeachment of Brazil's President Fernando Collor on corruption charges, the alleged protagonists continue to enjoy their freedom. This is despite new evidence suggesting that the' scandal involved billions rather than millions of dollars.

But, stung by unfavourable comparisons with Italy, where hundreds of politicians and businessmen have been hauled before the courts and put behind bars, Brazil's lumbering justice system is finally starting to move. Since Tuesday, the Supreme Court has been holding daily interrogations of the main characters in the "Collorgate" scandal. It was the first time that a former head of state had been questioned by the court, and Mr Collor described his four-hour session as "absolute humiliation".

For many of the population who participated in last year's "Pro-morality Movement" to oust Mr Collor, the timidity of the criminal process has reinforced the impression that corruption and immunity from prosecution reign amid the Brazilian elite even after impeachment.

Few believe Mr Collor or his associates will go to jail and a recent public opinion survey revealed that 86 per cent of the population believed that crime was likely to go unpunished. A Supreme Court official retorts that with just 7,000 judges for a population of 150m they simply do not have enough manpower to act more quickly.

Yet the Collorgate scheme now appears to have been much larger than originally thought. New evidence emerging from investigations by police and Kroll Associates, the international accounting firm, estimate the total amassed by Mr Paulo Cesar Farias, the alleged ringleader, as $1.4bn. Police allege that a large part of this came in bribes from overseas suppliers of Petrobras, the state oil company, paid into New York and then transferred to Swiss banks.

Although federal prosecutors have accused more than 100 people of involvement, including Ms Zelia Cardoso, a former finance minister, not one has been tried, jailed or even indicted. Businessmen who admitted to paying kickbacks continue to do business.

Ironically, the only person to be jailed so far is an American mechanic, Mr William Black, who is serving a sentence in the US for falsifying documents for Mr Farias's Miami-based air leasing company.

President Fernando Collor was brought down by demonstrations such as this in Rio de Janeiro

Nor has a new, visibly cleaner, Brazil emerged. Lobbyists are back in the ministries, tax evasion continues unabated, and businessmen say commissions are still essential to secure contracts, though they have fallen to more "reasonable" levels.

Mr Jose Genoino, a congressman from the Workers' Party, complains: "For lack of will to capitalise on the pro-morality mood we're losing a historic opportunity to carry out moral surgery on our institutions."

But another Congressman questions the wisdom of an Italian-style clean-up in a country which emerged from military rule just eight years ago. "Can you imagine how many people are involved? We're talking about all major businessmen and politicians, judges, police.... our political system is not strong enough to take it," he said.

However, while corruption may continue, there have been changes in public perceptions and increased vigilance over public figures by the local press. Mr Innocencio Oliveira, president of congress and himself the subject of controversy for allegedly using aid money to drill wells on his own land, claims: "Brazil has been transformed. There is far more rigour with public money and there is not the least possibility of anyone known to be corrupt being elected."

As evidence of this, Mr Orestes Quercia, who had been front runner for next year's presidential elections, recently resigned as leader of the country's biggest party, after an avalanche of allegations that he had pocketed millions of dollars during his term as Governor of São Paulo. Brazil's new president, Mr Itamar Franco, puts honesty above everything and has already sacked two ministers because of allegations of wrongdoing.

In his court appearance this week, Mr Collor again denied the corruption charges, claiming that the money used for his personal expenses such as his notorious "Babylonic gardens" was part of the $25m left over from his election campaign and a $4m loan from Uruguay. His insistence that he was the "victim of special interests" trying to thwart his economic reforms, is weakened by the continuation of these policies under the present government.

However, Mr Genoino says, "if Collor is not brought to trial soon then we can expect increasing questions over whether morality was really behind his ouster".

# Washington asks allies to speed growth

By Michael Prowse in Washington

THE Clinton administration yesterday demanded more expansionary economic policies in other industrialised countries following figures showing that the US ran a trade deficit of more than $10bn (£6.6bn) for the second month running.

Mr Ron Brown, Commerce Secretary, said the unexpectedly large April deficit reflected faster growth in the US than in Europe and Japan, which needed to do more to promote domestic growth.

"Large trade surpluses among our trading partners are indications of unfulfilled opportunities for economic growth, just as our own trade deficit demonstrates we are helping to trigger global economic expansion," he said.

The figures seem certain to exacerbate trade tensions between Washington and Tokyo as more than half of the shortfall was in trade with Japan. The Clinton administration is pressing Tokyo to open its markets more fully in order to curb the growing bilateral deficit, which rose to $53bn in the year to April.

The overall deficit of $10.5bn in April was much larger than analysts had predicted and indicated that a similar-sized deficit in March may not have been an aberration as previously assumed. The poor figures may prompt analysts to revise down estimates of growth in the second quarter to an annual rate of 2-2.5 per cent.

Exports fell 1.3 per cent between March and April to $38.4bn, reflecting economic weakness in many of the US's main trading partners. Imports fell 1 per cent to $48.9bn, but remained at a disturbingly high level given the sluggish recent pace of economic growth in the US.

The longer-term trends are not enouraging. In the three months to April, US imports rose 12.6 per cent relative to the same period last year. Exports grew only 2.8 per cent over the same period.

The underlying monthly trade deficit could be as high as $9bn, pointing to an annual deficit of more than $100bn, according to Mr Geoffrey Dennis, a New York-based economist for James Capel, the stockbroker.

If growth picks up in other countries next year, however, the US deficit may stabilise, rather than continue rising as in the early 1980s, because the dollar is highly competitive against most foreign currencies, especially the yen.

In a separate report, the Labour Department cast doubt on projections of rapidly rising US productivity growth. It said productivity in non-farm businesses fell at an annual rate of 1.6 per cent between the fourth and first quarters, after sharp increases in output per hour in the second half of last year.

The trend in manufacturing, however, remained encouraging with productivity growing at an annual rate of 4.8 per cent in the first quarter, down from a revised 7.0 per cent in the final period of last year.

# UK-Cuba ventures on cards

PROSPECTS are good for joint ventures and other trade and investment deals between British companies and Cuba, Baroness Young, a former UK government minister, said yesterday, Reuter reports from Havana.

She is heading a British business delegation to the island.

"We've had very positive meetings with ministers here.... and the very clear message that has come to us is that Cuba would like to make some joint ventures and joint arrangements," she said.

A dozen British business executives in the delegation, sponsored by Britain's Caribbean Trade Advisory Group, held three days of talks with Cuban officials about investment possibilities in tourism, the oil sector, agriculture, mining and the pharmaceuticals industry. The group advises the British Overseas Trade Board.

Lade Young, who had a two-hour meeting with President Fidel Castro on Tuesday, said she had invited the Cuban government to send a delegation to Britain to discuss details of possible joint investment projects identified in Cuba.

Her delegation was the biggest officially-backed British business mission to visit Cuba.

# Chile in Gatt move on apples

By Frances Williams in Geneva

THE European Community's licensing and surveillance system for imported apples was challenged by Chile yesterday in the General Agreement on Tariffs and Trade.

Chile told Gatt's governing council that countervailing duties imposed on its apple exports to the Community were contrary to Gatt rules and could cost its producers $14m in lost sales, spelling ruin for many. The two sides are now in consultations over the dispute which may be brought formally to Gatt if no agreed settlement is reached.

EC restrictions on imported apples have been a frequent source of trade friction in recent years. Chile and the US both brought and won Gatt cases against apple import quotas imposed in 1988.

Under the current EC system, import surcharges are automatically levied when reference prices of apple imports fall below a certain level.

Despite surcharges, Chile's apple exports had not fallen last year, the EC said, which suggested the duties were not harming trade. Chile was supported by other countries with similar grievances against the EC, including Argentina, Australia and Brazil.

# 'Pepsi-tampering' likely to be hoax

THE Pepsi-tampering mystery began unravelling yesterday as several claims of objects found in cans were pronounced hoaxes, AP reports from New York. At least two people were arrested.

Police said at least three other people had recanted. And some experts said it was likely that all the cases would turn out to be hoaxes, perpetrated by people who were out for money, attention or thrills.

Pepsi-Cola has suggested as much itself, saying it is virtually impossible to tamper with soda cans at its bottling plants.

"This development reinforces what we've believed all along – that this is not a manufacturing problem and that consumers should not be alarmed about any alleged problems with Pepsi products," President Craig Weatherup said in a statement.

A man has been arrested and accused of taking a hypodermic needle out of the trash and claiming he found it in a Pepsi can. He could get up to five years in prison on federal charges of making of a false report. A 21-year-old man was also arrested after investigators with the Food and Drug Administration concluded his claim of finding a needle was false.

A woman in California admitted she had broken a sewing needle into pieces and put two in a Pepsi can, police said.

Police in Covina, California, said a woman there confessed that she had fabricated her story about finding a syringe in a Pepsi.

"It seems obvious that some of these tamperings are faked – and in the dumbest of ways. It won't be a surprise to me if all of them turn out to be faked," said Dr Park Dietz, a forensic psychiatrist in Newport Beach, California. He is a consultant to the FBI in tampering cases.

The first report came on June 9, when an 82-year-old man in Tacoma, Washington, said he looked into a can of Diet Pepsi to see if he had won a prize and found a syringe.

Soon after, similar reports came pouring in. Local media accounts indicated that at least 52 reports of tampering in at least 23 states had been made by Wednesday night.

# Italian deputies back single round electoral reform

By Robert Graham in Rome

THE Italian parliament yesterday approved electoral reform for the chamber of deputies with the adoption of a first-past-the-post system for most seats in a single round of voting.

Parliament also decided to retain proportional representation for a quarter of the seats in the chamber.

This means the principles of electoral reform for both houses of parliament will be broadly similar. On April 18 a referendum on reforming elections to the senate introduced majority voting for 70 per cent of the seats and reserved 30 per cent for the traditional system of proportional representation.

Although both houses of parliament will have to approve each other's reforms, it now seems likely that new electoral laws will be in place before the summer recess. But while the parties have begun to show a sense of urgency on this score, they have yet to tackle the far more complex task of redrawing constituency boundaries. Some politicians forecast this will take up to four months.

The most contentious point so far had been whether to introduce a single round of voting as in the British system or a second round run-off like the French. In the event, a surprisingly wide majority opted for the single round.

Those backing the latter were the four partners behind the Ciampi government – Christian Democrats, Socialists, Social Democrats and Liberals – plus the populist Lombard League, the neo-fascist MSI, Mr Marco Panella's radicals and the breakaway communists, Reconstructed Communism. Some Socialists voted against the proposal but the main opponents of the single round were the former communist Party of the Democratic Left (PDS), the Republicans, Greens and Mr Mario Segni's referendum movement. The latter appeared to miscalculate badly the strength of the single-round lobby.

The powerful line-up against the PDS position was partly tactical. The parties feared the PDS would be able to rally considerable support on a second round. But equally the vote represented a widespread view that second round voting would permit an inconsistent patchwork of local alliances which would undermine the stability of a parliamentary coalition.

# French count cost of bank's freedom

By David Buchan in Paris

MAKING the Bank of France independent is to cost the French state FFr36bn ($6.46bn).

The sum is the depreciation in the value of France's foreign exchange reserves since 1982, caused by the rise of the franc, largely against the dollar.

Up to now, the depreciation has appeared as a charge against an exchange rate stabilisation fund on the Bank of France's books. The state has then been responsible for settling up with the bank to cover this fund. Where it has not done so, the outstanding account has effectively been an interest-free loan by the bank to the government.

Under a bill to make the bank independent, which the Balladur government is piloting through parliament, and indeed under the Maastricht treaty, the Bank of France will be forbidden to lend to the government in this way. The central bank will, instead, write the country's foreign exchange reserves into its own balance sheet, and assume the exchange risk on these reserves itself.

An accompanying bill proposed by the cabinet this week would stop new advances by the central bank to the government. To wipe the slate clean, it would also require that the government start paying 5 per cent interest on the FFr36bn and repay it to the Bank of France over the next 10 years.

Such revenue will help the Bank of France become financially, as well as politically, independent. Commercial banks claim to be worried by the degree to which the central bank can fund itself and its 17,000 employees. Some banks have been arguing that so inefficient is the central bank that it cannot "break even" if it lets interest rates drop below 7 per cent. The Bank of France counters that it might only go into the red if interest rates fall, implausibly, to around 3 per cent.

# Germans remember defiant revolt

The scene in Leipziger Platz in East Berlin 40 years ago yesterday when demonstrators stoned Soviet tanks amid an uprising by hundreds of thousands of East Germans against communist rule. Today, German media is making much of the anniversary, with ageing protesters reminding fellow Germans of an episode in which they can feel pride.

# MPs bow to anger over incomprehensible tax form

By Robert Graham

JUST when the Italian authorities had begun to instil in their fellow countrymen the civic concept of paying taxes, they have scored a spectacular own goal.

The tax form drawn up for this year's declarations is so complex that it has provoked a chorus of protest and threats of non-payment.

As a result, parliament yesterday approved a slippage in today's deadline for submitting tax returns – the notorious form 740 – and slashed the normally stiff penalties for late submissions and incorrectly compiled declarations.

Former premier Giuliano Amato has already issued a public *mea culpa* for the contorted language and incomprehensible nature of the returns.

Even by the standards of Italian bureaucracy, the 1993 "740" is numbingly non-user friendly as it attempts to guide the taxpayer through the assortment of taxes, duties and benefit items.

By the calculations of one newspaper, Italians face paying up to 202 different taxes and stamp duties. Of these, 51 are payable to local entities and 21 affect personal wealth and corporate earnings.

One television chat show host even brought on a poet this week to analyse the dense language of the 740. But the poet was too beside himself with anger over having to pay taxes to offer any advice on scanning.

In one of its rare popular acts of late, parliament this week wrung a statement from Mr Franco Gallo, the finance minister, that in future tax forms would be simplified.

Ironically, this was the first attempt by the authorities to clamp down on evasion and convince Italians it was time to pay more taxes. In place is a sophisticated model estimating notional average earnings of different groups, and applying minimal tax demands on these earnings. Many employers were discovered last year to be declaring earnings lower than that of their employees! This was accompanied by an amnesty on unpaid back taxes.

The completion date, which has already slipped twice, has been put back to July 15. Instead of paying up to 40 per cent of tax estimates as a penalty for late submission, the fine was fixed yesterday on a sliding scale from 1 to 3 per cent up to July 15.

# NZ governor praises merits of independence for central banks

By Alexander Nicoll, Asia Editor

THE anti-inflation policies of New Zealand's independent central bank are credible because any government decision to override its targets has to be public and formal, its governor said in London yesterday.

Mr Don Brash has headed the Reserve Bank of New Zealand since its independence was established by law in 1989. Its success in bringing down inflation to 1 per cent has provoked discussion about its suitability as a model for Britain.

In a speech to the European Policy Forum, Mr Brash said the New Zealand experience had shown that "under a Westminster style of government, central bank independence can be reconciled with political accountability." He added: "While we are sometimes described as the world's most independent central bank, our governing legislation explicitly acknowledges the role of government."

The governor is personally responsible for meeting policy targets – currently, for consumer price inflation between zero and 2 per cent – agreed by the finance minister and Reserve Bank.

But the law also provides for government to change the targets. However, Mr Brash said, there could be no "secret, under-the-table instruction to allow slippage from the price stability target." The government must do so openly, and new policy targets must be publicly agreed if necessary.

He said the override provision was a strength rather than a weakness. "Where trade-offs are to be made between or among policy objectives, it is vital for good economic management that the nature of the choices being made are well understood."

Mr Brash said the override provision enhanced the credibility of the bank's commitment to stable prices. "If people are reluctant to believe that the central bank is serious about tackling inflation, then the costs of meeting this objective are likely to be much higher."

The New Zealand system also allows for departure from the stable pricing target in the event of unpredictable shocks, such as a sharp rise in oil prices or an increase in the rate of value added tax.

How the industry is trying to get across the message of its improvement in environmental performance

# The facts, the figures and the feedback

TO REPAIR its damaged reputation, the chemical industry must not only improve its environmental performance; it must also communicate that improvement in a credible manner.

The issue of credibility is the key. It depends foremost on the quality of environmental reporting. However, the sector is still at sixes and sevens about the issue.

While some groups, such as BP Chemicals, have taken to publishing all their emissions, others, such as Ciba and Rhône-Poulenc, prefer to publish indices. Yet others refuse to publish group figures.

"Providing group emission statistics does not help the communication process," argues Mr Jean-Jacques Salzmann, senior vice-president of corporate safety and environment at Sandoz, whose board is debating the merits of whether to provide such figures.

Sandoz's group sulphur dioxide figures are distorted by a plant in Pakistan which uses local oil high in sulphur. The company would like to use imported low-sulphur oil, but that is not permitted. Giving overall figures would show the company in a unjustifiably poor light, it believes.

At Sandoz, Mr Salzmann argues naked figures are difficult to understand, and that the important thing is the trend. "You have to explain the context if misinterpretation is to be prevented," he argues. "Many groups have been frustrated, publishing raw figures and getting no feedback," he says.

The company argues that information should be provided locally according to individual communities' demands. "Neighbourhoods are not interested in group trends. They want site figures," says Mr Salzmann.

However, Mr Hans Künzi, director of corporate safety and environmental protection at Roche, argues it is important not to patronise the public.

"Rather than publish ecotrends, we will report group figures. We're working on that at the moment and should release the figures this summer. All of the subsidiary companies will report and each division or major site will have its own page. Energy consumption, environmental spending, emissions to air and water and landfill, and safety records will all be given. So, too, will the financial performance. It's a pain to do, but it's important," says Mr Künzi.

At Monsanto, Mr Nicholas Reding, vice-chairman, admits he had worries when the company started publishing its entire emission figures because they might provide ammunition for environmental groups.

"In fact, the external reaction has generally been pretty good, even if we have a long way to go to reduce our emissions," he says.

Any figures have to be linked to production. Closing a factory can be a highly effective way of improving environmental figures, but gives little indication of how the group is performing. Not all companies publish production figures.

Most groups remain anxious that their environmental performance should not be compared with that of other groups. Different chemical concerns have different product mixes which makes comparisons tricky, they claim.

Mr Künzi at Roche explains: "It's very difficult to relate one company's performance with another. If you are manufacturing 100,000 tonnes of ethylene, then 0.1 per cent waste is a hell of a lot of waste.

"A pharmaceutical product can require 50 to 60 steps for manufacture and generate 80 per cent waste – that's a really dirty product but it might be only a few kilos a year. One is a bulk commodity and one a highly complex molecule. You can't compare them kilo by kilo. You can compare polyethylene against polyethylene, of course. You could measure added value per kilo, but whatever measure you use is problematic. The important thing is to compare the company's results with previous years. The important measure is relative rather than absolute."

**Comparisons of environmental performance cause anxiety. These are tricky as different companies have different product mixes, say chemical groups**

Few groups are likely to lie about their emissions. "Communication of performance is not a public relations exercise. You have to be honest and open, giving the warts and all," says Mr Mike LaGraff, BP Chemicals' manager for health, safety and the environment.

If anything, there is a tendency for companies to exaggerate their environmental impact. In France, Mr Pierre Siefridt, from the Le Havre office of the direction régionale de l'industrie, de la recherche et de d'environnement, says that on occasions companies have a tendency to exaggerate emissions. This gives them a high pollution base to work with and allows them to appear to improve much more quickly.

Another difficult issue is that of measuring spending on environment. Mr Joe Draper, health, safety and environment manager at Shell Chemicals, argues that it is almost impossible to separate expenditure between safety, health and environment. "We used to make estimates or guesses, but there is no way of consistently assessing the number," he explains.

"Although you can allocate an end of pipeline investment to the environment, what are you supposed to do with integrated pollution control in a new plant?" he asks.

At Ciba, Mr Kasper Eigenmann, head of corporate unit safety and environment, believes it is right only to count investment in end of pipe technology, otherwise the figures become meaningless. Other companies have far wider definitions of environmental spending. Mr Draper argues that issues of definition create huge inexactitudes, and make comparisons between different groups invidious.

**Chemical industry's environmental spending**

| Company | Operating Costs | Capital Costs | Total Costs | Turnover | As % of turnover |
|---|---|---|---|---|---|
| Hoechst | DM1.632bn | DM594m | DM2.226bn | DM48.87bn | 4.4% |
| BASF* | DM1.104bn | DM215m | DM1.319bn | DM18.56bn | 7.1% |
| Bayer | DM1.3bn | DM400m | DM1.7bn | DM41.2bn | 4.1% |
| ICI | £195m | £170m | £365m | £12.08bn | 3% |
| Dow | $400m | $200m | $600m | $18.971bn | 3.1% |
| Rhône-Poulenc | FFr1.15bn | FFr650m | FFr1.8bn | FFr81.7bn | 2.2% |
| Du Pont | $900m | $300m | $1.2bn | $38.352bn | 3.1% |
| Ciba | SFr357m | SFr235m | SFr592m | SFr22.204bn | 2.7% |
| Akzo (HSE) | Fl 500m | Fl 200m | Fl 700m | Fl 16.85bn | 4.1% |
| Sandoz | SFr360m | SFr189m | SFr550m | SFr14.416bn | 3.8% |
| Roche | SFr148m | SFr153m | SFr301m | SFr12.953bn | 2.3% |
| Solvay | BFr12.7bn | BFr6.3bn | BFr19.7bn | BFr254.5bn | 7.7% |
| Huls | DM386.4m | DM124m | DM510.4m | DM10.27bn | 4.9% |
| BP Chemicals | $87m | $85m | $172m | $5.243bn | 3.2% |
| DSM | Fl 150m | Fl 150m | Fl 300m | Fl 8.907bn | 3.3% |
| Exxon (HSE) | N/A | N/A | $100m † | $10.7bn | 0.9% |
| Monsanto | $264m | $123m | $433m | $7.763bn | 5.5% |
| Union Carbide | $150m | $82m | $232m | $4.872bn | 5% |
| Elf Atochem | FFr1.8bn | FFr600m | FFr2.4bn | FFr45.7bn | 5.2% |
| Enichem | N/A | N/A | N/A | L11.155bn | N/A |
| Royal Dutch Shell | N/A | N/A | N/A | $5963bn | N/A |

* BASF AG only. † Estimate for 1993. *Source: Financial Times and company estimates*

Target audiences for environmental communication are both external and internal. "Young employees no longer accept a change of mind-set between work and home. They want to be able to justify what the company is doing. We have to convince them that we are acting responsibly," says Dr Hans Kindler, Ciba's executive committee member for the environment.

"We ask our employees to carry out propaganda for us," says Mr Francis Bazile, director in charge of environment at Elf-Atochem. Similarly, at Ciba's Basle plants, retired employees help put across the company's message.

Externally, most companies are now opening their doors to the surrounding communities. Visits from schools and local media, as well as local government representatives and communities have become widespread. Pressure groups are also increasingly asked for their views.

In the US and elsewhere, community advisory panels have been set to help rebuild the relationship between sites and the nearby population. Admittedly, open days are not always a success. Mr Reding at Monsanto says that after the Bhophal tragedy, the company set up some open days, but nobody turned up. Each Monsanto plant now has a specially-tailored community plan.

Mr LaGraff at BP Chemicals says there is no point targeting everybody in the local community. "About 20 per cent will always be positive, and 10 per cent always hostile, no matter what your performance. The important audience is the undecided 70 per cent."

At a corporate level, chemical companies are trying to convince legislators, environmental pressure groups, customers and internal management about their performance. Shareholders are also an important constituency, given they are likely to want to know why so much money is being spent on environmental projects.

Such individual projects may bear some fruit, but the overall impact on the reputation of the industry as a whole can be limited. "National opinion polls and local ones show it's almost impossible to differentiate an individual company from the industry," says Mr Künzi at Roche.

The answer is to explain the benefits as well as risks of chemicals to society, argues Mr Bazile at Atochem. "There's still a belief that chemicals are intrinsically dangerous. There's no difference between natural and synthetic chemicals," he says.

The efforts by some sections of the industry may be beginning to pay off. Mr Reding at Monsanto tells the story of a member of a community advisory panel who complained about the company's deep-well policy. When she was given the option of using deep-well or cutting jobs, she said Monsanto was too good a company to offer only two options.

**Paul Abrahams**

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**Paul Abrahams** on the problems of implementing Responsible Care

# The need for a culture shock

The rhetoric behind Responsible Care is all very laudable, but actually implementing the programme is far from easy. Implementation involves far more than just investing in technology and plant. Rather, it requires a change in an organisation's very culture.

"Top-down edicts have a place. But if people believe you are serious, things happen far more quickly," argues Mr Nicholas Reding, vice-chairman of Monsanto.

Changing an organisation's culture is not always easy, however. Many companies experience resistance from their own employees.

Mr Roger Papp, head of safety and environment at Elf-Atochem, admits: "It's difficult to convince all employees that you are serious about the environment. One of our most fundamental roles is to convince people that the issue is important."

Researchers are most difficult to convince because they are most confident about their work, he argues. For many years, chemical engineers were primarily concerned about reducing costs and increasing volume. Now they must also consider the environment.

"One of the problems is that the heads of business units tend to be more worried about costs than the environment," says Mr Jacques Salamitou, director of environment at Rhône-Poulenc. "Site managers are fine, because they have to deal with the local communities. The problem is business managers because they are not so exposed to the public."

To counter this problem, health, safety and environment must be the responsibility of line management, insists Mr Jürgen Müller, an executive director at Sandoz.

At Ciba, Mr Kasper Eigenmann, head of corporate unit safety and environment, says that the environment has changed from a specialised discipline whose role was essentially defensive, to a more integrated approach in which every member of the company is involved.

Mr Müller agrees: "It must not be the province of experts, with the line manager responsible for maximising production and another responsible for safety and environment. That is sub-optimal and dangerous because it leads to mixed priorities within the organisation."

In most companies, progress in reducing emissions has come in a number of stages. "We started with end of pipe solutions," says Mr Hans Künzi, director, corporate safety and environmental protection, at Roche. "That was important because it was direct and effective. We built incinerators and effluent plants to treat the waste we produced."

Some groups have been forced to close plants because investing in the necessary environmental protection would not generate a return on capital. In France, Elf-Atochem stopped production of some fine chemicals in the department of the Lande because it was impossible to achieve a return given the additional investment required. Similarly, Monsanto closed its phosphate plant at Colombia, Tennessee, because of environmental costs.

**Groups have closed plants: investing in environmental protection would not lead to a return on capital**

Now companies are moving towards waste minimisation, improving processes so less waste is created during manufacturing.

"The next step will be to integrate environmental controls into production. This is difficult. If you take a pharmaceutical product, it can take 20 steps to manufacture it. If only 90 per cent is converted each time, it leads to enormous waste. We try to reduce the steps and the waste each time," says Mr Künzi.

"We have to make sure we manufacture in a decent way," he says. "What was good enough 20 years ago is not good enough now. Development goes on all the time. We have to integrate environmental control into production. We have a long way to go."

Mr Papp at Atochem points to the example of the group's plant at Lavera near Marseille, where the process to manufacture vinyl-chloride was modified to carry out the reactions at high pressure. A system for photo-chlorination using glass lamps capable of operating at high pressure had to be developed. By investing in the process, the waste stream was minimised, and the excess hydrochloric acid could be recycled for use in a neighbouring plant.

Waste minimisation can, on occasions, quickly pay back the investment. At Rhône-Poulenc's site at Pont-de-Claix in the Rhône-Alpes, waste minimisation and plant closures meant a new FFr150m hazardous waste incinerator was being used only at half its 30,000 tonnes capacity. This meant the company was able to use the incinerator for commercial uses.

Although waste minimisation normally increases yields, the costs can be considerable and the financial benefits are not always demonstrable. "It would be naive to say that reducing pollution always pays. Not all investments for the environment are productive," says Mr Jean-Jacques Salzmann, senior vice-president, corporate safety and environment, at Sandoz.

"If waste minimisation is not cost-effective, we simply won't do it," says Mr Salamitou at Rhône-Poulenc. "We have closed plants in the US because there was no point in investing to bring them up to standard."

Mr Papp says: "Waste minimisation is cost- effective when it improves total efficiency. But it isn't always easy. If there hadn't been a plant at Lavera capable of using hydrochloric acid, there would have been no point in investing. Just because something is clean doesn't mean it's always cost-effective."

**Companies differ about the usefulness of setting future targets for emissions**

Improving environmental practice involves reducing not only emissions, but also energy consumption, argues Dr Hans Jörg Henne, president for environmental industrial safety and energy at BASF. At Ciba, energy consumption per tonne has fallen by 50 per cent over the last 20 years, although the group admits it has risen over the last two or three years.

While historic performances have improved at most groups, there are divergences between companies about the usefulness of setting future targets for emissions. Some targets are impressive.

However, as a programme for action, such targets can be misleading, says Mr Eigenmann at Ciba. "There's no point in announcing a 10 per cent target and then asking every plant to cut by 10 per cent. You have to look where the worst performance is and improve that – the reduction in emissions could be, say, 50 per cent of a large figure, and cost far less than cutting 5 per cent of very little small amount at another plant. That way the group can tackle the problem in an efficient way."

In spite of past improvements, there is still some way to go, warns Mr Thomas Riggert, director of European chemical activities at Arthur Andersen, the consultants. He points out that process control systems are not well integrated in many companies which often have little idea of implications of a potential accident at any one time.

Meanwhile, companies are moving towards environmentally friendly products. "Frankly, looking at the total product life-cycle has a lot of merit," says Mr Reding at Monsanto. He argues that companies must look at their suppliers' waste streams as well as its downstream use. Groups are talking about "product stewardship".

Roche set up a special section to look at the ecological compatibility of products and processes in 1978 with one person. Since then it has expanded significantly, and has checked out the 40 largest volume products at the company.

"Sometimes you have to eliminate products," says Mr Salzmann at Sandoz. For example, the company has cut out all products containing mercury at its Basle site. Similarly, Ciba has cut products. The company ceased production of Galicrom insecticide during the mid-1980s because it could not be produced in an environmentally-friendly way.

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**Bronwen Maddox** looks at the impact of environmental legislation on the industry

# Green hurdle has added to costs

ENVIRONMENTAL regulation has saddled the chemical industry with a competitive disadvantage, chemical companies say, even though environmental groups remain sceptical that companies' behaviour has changed for the better. The effect on the industry's cost structure raises questions of whether industrialised countries should attempt to manufacture bulk chemicals if they are seriously committed to rising "green" standards.

The chemical industry was one of the first to be targeted by the environmental regulation which has built up in layers in the past two decades in industrialised countries. Rules have ratcheted down the permissible level of emissions, and some – such as the UK's 1990 Environmental Protection Act and parts of the US environmental legislation – have begun to insist as well on installation of the best available technology.

Meanwhile, the growing popular support for "green" issues, which reached a peak across much of Europe at the end of the 1980s, has made it harder and less predictable for chemical companies to get approval for expansion.

More rules are in the pipeline. The European Commission is working on directives to restrict the emissions of solvents used in wood treatment and paints, and to make companies integrate control of pollution and accident-prevention.

The ambitious and much publicised response from the industry was the worldwide "Responsible Care" programme for voluntary monitoring of emissions. But even if that has helped to improve the industry's public image – a point contested by pressure groups such as Greenpeace – it is clear that new rules have added to some manufacturing costs.

Cefic, the European Chemical Industry Council, estimates that environmental spending within European chemical companies is running at about the level of R&D spending, although it lacks firm figures or an historical comparison. Mr Louis Jourdan, Cefic's director of technical affairs, says: "Of course (the rules) cause some competitive problems, although our innovation remains better than that of India or Indonesia."

He points to the problem for European companies of competing with cheap imports of caprolactam, the raw material for nylon fibres, or with imports from eastern Europe. But he adds: "It is not just environmental regulation that causes the problem, it is differences in salary levels and energy prices too."

**Environmental spending rose from about 9 per cent of operational costs to about 14 per cent between 1990 and 1992**

He agrees that there is a debate on whether Europe should produce bulk chemicals, though he argues that declining European production of aluminium and fertilisers is due more to the high cost of European energy.

Ms Tamar Posner, director of the UK Chemical Industries Association, believes the handicap stems from uncertainty as much as from higher costs, even though the association estimates that spending on environmental protection has risen from 9 per cent of operational costs to 14 per cent between 1990 and 1993. "Uncertainty is the killer – opportunity is missed waiting for authorisation," she says.

The 1990 Act has been exceptionally difficult to implement, in her view, because so little consultation with the industry was carried out, unlike the previous year's Act on the control of substances hazardous to health.

The association and the Department of the Environment have had complaints about the Environmental Protection Act from speciality chemicals companies which want to be allowed to receive different, one-off orders from a whole range of customers. After struggling to define what constitutes the best affordable technology for each applicant, the pollution inspectorate now appears to be moving towards a definition at industry level, even if some plants then become uneconomic.

The industry associations' talk of consultation and co-operation with government departments is likely to do little to pacify the environmental groups. Ms Madeleine Cobbing, of Greenpeace UK, says: "We haven't seen any positive results from the responsible care programme. There's been a change in what is being said, but whether companies are really changing how they behave is another matter."

Greenpeace has been heavily criticised by government departments and industrialists recently for its "No legal pollution" campaign, in which it argued that companies should not be given licences that allowed them to pollute rivers and estuaries. However the campaign, not judged to be one of Greenpeace's best even by its supporters, ranked companies on their alleged pollution by the quantities shown in their discharge permits. But companies promptly retaliated that the actual, unpublished, levels were much lower.

Environmentalists' response is that there is not enough systematically-gathered public information. Ms Cobbing says: "There is no way of measuring the real emissions unless the companies give out the data," which many decline to do on grounds of commercial confidentiality. Releasing this data would be a sign that the chemical industry was "really prepared to be open," she adds.

**Talk of co-operation and bridge-building shows that government and industry no longer appear at loggerheads**

Environmental groups long ago decided that the chemical industry was one of the biggest villains on the green landscape. They played a prominent part in alerting the public to the issue and – it must be deduced – in triggering some of the legislation. But they may find it harder in future to keep such a central role in the debate even if they make a practice of bringing pollution prosecutions themselves, as Greenpeace has done against ICI.

The pages of legislation on the statute books have taken some pressure off politicians who were being urged by environmentalists and constituents to "do something". In turn, the chemical industry's new talk of co-operation and bridge-building has changed the tone of the debate – it no longer appears to be at loggerheads with the government.

More time – and, as the environmentalists rightly point out, more data – is needed to establish how far industry behaviour has changed. Those figures may also show, more clearly than is yet possible, whether companies are handicapped as a result and whether the right balance between competitiveness and green standards has been struck.

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Heavy industrial pollution falls on residential areas in Port Talbot, south Wales, causing illnesses. It is carried over long distances, contaminating land and sea

## Profile: HOECHST

# Year of mishaps ruins a caring reputation

THE extraordinary series of mishaps suffered by Hoechst of Germany this spring provides an awful warning of the way a reputation for responsible care, built up over many years, can be destroyed in a few weeks.

After a period of 10 years in which Hoechst had not suffered a single noteworthy accident at its German plants, and in which routine emissions of many pollutants had been cut by 80 per cent or more, there were three serious accidents and 15 lesser incidents between February 22 and April 2.

The events themselves would have bad enough to damage public confidence in Hoechst, however the company had responded to them. They started with the contamination of a Frankfurt suburb with 10 tonnes of toxic chemicals, were punctuated in the middle with a lethal explosion that killed one worker and seriously injured another, and finished with a leak of several hundred kilograms of highly corrosive "oleum" (fuming sulphuric acid).

> Officials did not admit that one of the main chemicals released was potentially carcinogenic until the story reached the press

But Hoechst made matters worse by its reaction, which was widely seen as disorganised, defensive and arrogant. The legacy is an atmosphere of mistrust and bitterness. The company has come under attack not only from its natural adversaries in the environmental movement and the media but also from the state and federal governments.

The environment ministry in the state of Hesse ordered an independent scrutiny of Hoechst's whole safety and environmental management system, in addition to investigations of the individual accidents. These could lead to criminal charges and/or the loss of operating licences.

The indirect impact of the accidents has spread well beyond Hoechst's Frankfurt-based operations, leading to calls for even tougher safety controls for all German chemical plants. The industry's leaders have had to suspend their campaign for some relief from Germany's ever-tightening safety and environmental regulations which, they say, put them at a disadvantage compared to competitors in other countries where rules are more relaxed.

A lot of the public relations damage was done by the first accident, at Hoechst's Griesheim works, which sprayed a sticky and evil-smelling yellow cocktail of chemicals over the nearby suburb. For several hours after the incident, the company's PR staff seriously underestimated its impact on residents, as a result of poor internal communications.

Later, the company tried to make amends. Several hundred Hoechst staff spent the weekend after the accident helping residents to clean up contaminated cars, homes and streets and arranging to remove tonnes of topsoil from their gardens. They even bought up Germany's stocks of dogs' shoes – available in small, medium and large – so that people could protect their pets' paws.

Public distrust was exacerbated by the fact that Hoechst officials did not acknowledge that one of the main chemicals released – ortho-nitroanisole, an ingredient in making dyestuffs – was potentially carcinogenic, until the story reached the press. PR staff explained afterwards that they had not known at the time about studies conducted under the US National Toxicology Programme, which showed an increased incidence of tumours in rats and mice given the chemical in their feed.

The company insisted there was "no risk of permanent harm to residents of Griesheim" because conditions there were quite different from those in the long-term animal studies. But as Mr Jörg Geywitz, a Hoechst environmental manager, pointed out, "people see the chemical, they smell it and of course, when they read in the newspapers about its toxicity, they're frightened."

Another mistake, according to some observers, was that Mr Wolfgang Hilger, chairman of Hoechst, gave no press conference and made no personal statement about the accident until 10 days later. That gave an unfortunate impression of aloof detachment on the part of senior management.

However Hoechst was responding more fully, more humbly and more quickly by the time of the third serious accident on April 2, in which 13 workers suffered the effects of exposure to sulphuric acid fumes. It was followed by a decision to give the whole Hoechst board joint responsibility for safety; one director, Mr Karl Holoubek, had previously been responsible.

A disconcerting feature of the series of accidents was that no common thread ran through them, apart from human error and a failure to observe specified operating conditions. There was nothing more specific for the company to put right.

The first incident, for example, resulted from a night shift worker's failure to switch on a stirrer in a reaction tank. That led eventually to an uncontrolled build-up of pressure in the vessel – and the explosive release of its contents into the atmosphere.

The accidents completely overshadowed Hoechst's annual announcement in April of its environmental spending and performance figures, which showed that the consistent improvement over the past 20 years had been maintained. The total amount of chemical residues discharged from its main works into the Rhine has declined from 263 tonnes in 1972 to 29.6 tonnes last year.

Hoechst spent DM1.3bn on environmental protection in 1992 (of which DM232m was capital investment and the remainder running costs). About half of the expenditure is to reduce water pollution.

It will be a long time, however, before most people in Frankfurt think again of Hoechst as a company with an excellent long-term environmental record, rather than an accident-prone giant that needs tighter regulation.

Clive Cookson

**Karen Zagor** looks back on seven years of Responsible Care

# Industry boosts its image

IN the mid-1980s, when the US was governed by a president who believed trees were a source of pollution, north America's chemical industry realised stricter environmental regulations were looming and started to modify its behaviour.

The result was the Responsible Care programme, launched by the Chemical Manufacturers Association in 1988 to improve the industry's image, reduce its impact on the environment and circumvent the threat of harsher regulations. Now that Mr Al Gore, an outspoken environmentalist, is vice-president of the US, the industry's decision to implement environmental guidelines may prove fortunate.

"Bhopal was the wake-up call," says Mr Dave Buzzelli, Dow Chemical's vice president for environment, health and safety. "It brought home to everybody that we could have the best performance in the world but if another company had an accident, all of us would be hurt, so we started to work together."

The initiative which led to Responsible Care in the US started in Canada in 1986, after a survey of public opinion found that the chemical industry was widely distrusted. "The industry is smaller in Canada, and there are fewer large companies," says Mr Buzzelli. "It's easier to get things started with a smaller group."

The concepts were then brought south of the border by companies with Canadian operations, and the CMA, which represents about 90 per cent of basic industrial production capacity in the US, adopted its own principles and codes of management in 1988. This was followed by the launch of a public outreach campaign in 1991, which included an impressive advertising effort.

The industry has made significant strides since the programme was launched, but Responsible Care is still in its infancy. According to the CMA, only about 60 per cent of industry workers are "somewhat aware" of Responsible Care, and under 40 per cent are fully aware of the scheme.

Responsible Care is based on the premise that the industry can steadily improve its performance in health, safety and the environment and that it can regain public trust by improving its response to public concerns about products and operations. The aim is continuous improvement: there is no target end date.

Mr Buzzelli explains: "Responsible Care isn't designed for the industry to duck regulations. If it results in people feeling there is less of a need to regulate, then it's a double win."

Companies are not legally bound to comply with the tenets of Responsible Care, but membership of the CMA is conditional on participating in the programme.

While it was quickly accepted by the bigger chemical producers, many smaller companies initially resisted the scheme because they feared they lacked the resources to make the changes necessary to comply with the codes.

The most radical aspect of Responsible Care was the decision to open the doors of an industry that has a long tradition of being secretive and wary of public scrutiny. "The biggest shift here is the willingness to share our historic secrets," says Mr Gerry Faigle, Dupont's corporate responsible care co-ordinator. "The communities want to know how our activities affect the environment, and we're telling them that we release this much of that material into the air, and inject this much of that material into the ground. Without this dialogue we are going to get regulated out of existence."

> The doors of an industry with a tradition of wariness of public scrutiny have been opened. "The biggest shift is the willingness to share historic secrets"

Mr Faigle's views are shared by other industry leaders. "The public component of any job in the chemical industry is higher than it ever has been. The need to listen is critical today," says Mr Buzzelli.

Community advisory panels provide the main forum for dialogue between companies and the public. There are now about 200 of these panels in the US and more will be formed this year. Their advocates say they help companies learn about local concerns which they can address by making changes or providing enough information about operations to quell local fears.

While environmental groups applaud the industry's efforts to be more open and communicative, the panels have not met with absolute approval. Critics say the panels lack access to sufficient information and independent experts. There are also concerns that local communities are economically dependent on chemical companies and are thus less likely to be critical of the industry.

"There is some concern that the advisory groups are really attempts to get local citizens to serve as mouthpieces for the company rather than consulting well-informed groups with some expertise to assess what companies are doing," says Mr Hillel Gray, toxics policy director at the National Environmental Law Center.

Another area of concern is the lack of outside verification for the environmental achievements that companies claim to have made under Responsible Care. There is also no consistency in reporting formats, data bases or even definitions, making it difficult accurately to measure or compare results.

There is a consistency issue," says Mr Ron Pingel, Dow's director of environmental affairs and responsible care. "How do we know that everybody is evaluating in the same way? Ultimately, there will probably be a component of third party involvement in terms of evaluation," he adds.

"Responsible Care is the velvet glove around the iron fist of the chemical industry," says Mr Fred Millar, director of the toxics project at Friends of the Earth. Mr Millar bases his charge on a CMA effort to defeat a "Right to Know More" bill which would have added chemicals and sectors to the government's toxics inventory list. "The CMA rounded up about 50 trade associations and sent a letter to every member of congress saying the proposal was 'radical' and would harm the economy."

Most Americans seem to think that the chemical industry is neither responsible nor caring. A CMA survey in 1992 found fewer than 30 per cent of the public look favourably on the sector. Only the tobacco industry was less popular; even nuclear power was more favourably viewed.

The CMA hopes to placate some of its critics by acting on the recommendations of its responsible care committee.

One of the recommendations looks at verification of the processes that companies are using for responsible care. "This would involve some form of third party or public involvement," says Mr Richard Doyle, CMA's director of Responsible Care. "It is important to note that we're not at this juncture ready to recommend any one type of verification process."

Mr Gray of the National Environmental Law Center has not been won over. "There's a lot more that all the chemical companies could be doing," he says. "If they spent less time fighting Right to Know and issuing public pronouncements and more time trying to provide meaningful information, it would turn round public opinion which is very low in spite of what has been put into Responsible Care advertising."

The Shell refinery in Stanlow, on Merseyside — Roger Taylor

Profile: SHELL

# Lessons of Mersey oil spill

A sunny August weekend in 1989 has proved a turning point in one company's attitudes towards the environment. A corroded pipeline carrying thick, Venezuelan crude oil from Birkenhead to Shell's refinery at Stanlow, Ellesmere Port, burst.

The spillage of 157 tonnes into an already badly polluted River Mersey was tiny by the standards of an Amoco Cadiz or an Exxon Valdez but it soon assumed massive proportions.

The pipeline was 17 years old and could not accommodate modern "pigs" – pipeline inspection gadgets sent down the inside to test it with scanners. Shell engineers made a temporary repair and then – against the advice of the emergency services – tried to empty out the rest of the oil by pumping it past the leak.

If it had worked, hindsight would have classified the decision as sound and professional. But the repair burst and the fire brigade videoed the consequences as a fountain of 40 tonnes of oil sprayed onto the Mersey foreshore. The video ended up on television and as evidence in court six months later.

Shell pleaded guilty to polluting the Mersey and was fined £1m, the largest penalty levied in an English court in a pollution case. Mr Justice Mars-Jones said human error was to blame and Shell had not discharged its duty to the community.

Only the company's support for arts and worthwhile projects in the region – plus £1.4m paid without question for the ensuing clean-up – had saved it from a penalty of several million pounds.

Shell paid up and shut up. Only now – and for the first time – has it been prepared to talk about the impact of the incident, and the far-reaching consequences it has had on the company.

Immediate action included modifying the pipeline so it could take "pigs" to enable modern testing. The previous method – filling the pipe with water, increasing the pressure and waiting to see if it held – could not predict failure. The £100,000 cost of modification was probably cheap, as another fault was discovered, enabling another potentially fracture to be averted.

But this was firefighting – and no different from what Shell had been doing at Stanlow for years. Management responded to incidents after they had occurred. There was an acceptance that pollution was inevitable; there would always be spillages into waterways, black emissions up chimneys, and bad smells to annoy local residents.

**The fire brigade videoed a fountain of 40 tonnes of oil being sprayed onto the Mersey foreshore**

Everyone knew how these things happened, but the cost of the Mersey clean-up and the opprobrium attaching to the £1m fine made Shell realise it had to start asking why.

As Mr John Davies puts it: "As a site we had a severe waking-up. We looked hard at ourselves and realised management systems were either poor or inefficient. This was something of an admission for something of our size. We were managing things as they came up."

Mr Davies is in charge of Shell's anti-pollution drive but the significance of this can only be appreciated from his overall role in the business – he is total quality services manager and one of Stanlow's most senior figures.

Above him is Mr Dominic Boot, director and general manager. Mr Boot, who is from the Netherlands, became Stanlow's chief executive after the oil spill and has experience of the much tougher environmental regimes of France and Germany.

Initial suggestions for eliminating pollution were to spend, but Stanlow's management soon ran into a problem. Founded in 1922, the gigantic complex grew by adding on plant from 1948 to reach its present throughput of 10m tonnes of oil a year.

This history of piecemeal development makes it harder to achieve the overall operational standards of its more modern counterparts, so although it is one of the largest refineries in Europe, Stanlow struggles financially. Big spending on anti-pollution equipment that offered no return on capital was going to be very hard to justify, especially in a recession.

"The message from the top was that we had to make what we had work properly, rather than spend money we had not earned," Mr Davies says.

Mr A. "Jag" Jagannathan, technical development manager, echoes this: "Throwing money at the problem is not enough. Merely correcting mistakes is not the answer; it's not making the mistakes in the first place."

Mr Boot, who was clearly brought in to shake the place up, says: "It's all in the mind in the end. The perception was that the oil industry had to be dirty: that unless you had dirty boots and dirty fingernails, you were not doing a proper job. But I had seen how the industry was elsewhere. A refinery could be clean."

Stanlow now is, because attitudes have changed from the top of the company down to operator level. Mr Boot elevated the whole status of the environment as a management responsibility, ranking it alongside quality, health and safety.

Environmental policy, and how to plan it properly, became a standard agenda item at weekly management meetings. Mr Boot associated himself personally with the change, committing his reputation to new standards that he wants achieved.

The objective is to make Stanlow hydrocarbon-tight. To achieve it, Mr Boot says "management has to be serious. The environment is not just a public affairs issue."

**Incidents that attracted attention are now being nipped in the bud before anyone outside notices**

If the workforce did not take this seriously at first, attitudes changed after management shut down one plant when equipment stopped adjusting the acidity of effluent in the way it was supposed to. It took a week to solve the problem, but the action demonstrated that the environment was as important as safety in determining whether things could go on if they were not right.

Mr Mike Sparshott, environmental manager, now has the figures to prove that the policies are working. For example, oil lost to effluent – in effect dribbling into the Mersey – is down from an annual 390 tonnes to 130 tonnes.

The loss of biological oxygen caused by effluent is down 12 per cent. Incidents of smoke emissions are down 15 per cent but the aggregate time of emissions has been halved – meaning that operators act faster than in the past to stem any trouble.

This is borne out by complaints about smoke dropping by nearly 40 per cent – suggesting many incidents that attracted attention in the past are being nipped in the bud before anyone outside notices.

The key outcome, however, is that Shell now feels any money it spends on environmental improvements – and it could be up to £75m – will not be wasted.

Without a change in corporate culture and attitudes, however, Shell would have had to spend much more – and with less certainty, as old attitudes and practices would have continued to create potentially worse pollution problems at source. This might even have raised questions about whether Shell should persist with Stanlow at all.

Just as important as any environmental improvements, however, is that Shell has decided it should talk about it. It has not tried to pass off the Mersey oil spill as bad luck, even though there was an element of chance involved, but has admitted the more important part played by bad management.

It takes courage to eat humble pie and admit past errors so openly. Other oil and chemicals companies may well shudder at this, just as they did when Shell's pipeline burst, for something similar could have happened to almost any of them.

Quietly, but urgently, they also modified old pipelines to take "pigs". Shell at Stanlow now appears to have given another type of example to follow.

**Ian Hamilton Fazey**
*Manchester*

How the Swiss dealt with the Schweizerhalle disaster

# Protest groups lose support

ANY CONVERSATION in Basle about the chemical industry and the environment inevitably revolves around November 1 1986.

That Saturday, in the early morning, Baslers were awoken by the sounds of sirens and an acrid stench that would last for several days.

A fire had broken out at a chemicals warehouse at Schweizerhalle, a suburb of Basle on the Rhine, owned by Sandoz, one of four major chemical companies based in the city.

The smell was bad enough, but it soon became apparent that an environmental disaster of much greater proportions was occurring. As firemen pumped water onto the fire in the warehouse, it mixed with the chemicals and some 30 tonnes of dangerous agricultural chemicals, including 200kg of mercury, were washed into the Rhine.

A great deal of marine life, especially eels, was killed. Although no human life was lost, the fire could have led to widespread deaths through a release of phosgene.

Today, nearly seven years later, the repercussions of Schweizerhalle can still be felt, although, perhaps surprisingly, they are much more of a social and psychological nature than environmental.

**Many eels were killed, though no human life was lost. And no lasting damage was caused**

Sandoz contributed SFr10m towards an exhaustive series of studies of the Rhine ecosystem, and at a concluding symposium last year, the general conclusion was that no lasting damage had been caused by the accident.

And, on the basis of exhaustive on-site investigations, Sandoz and the other chemical and pharmaceutical companies in the area still insist that the company had not been guilty of negligence or of low safety or environmental standards.

Rather, the disaster showed an unquestionable need for containment tanks around chemical warehouses, something that no one until that time had recognised. Since Schweizerhalle, chemical companies throughout the world have invested heavily in containment systems and a new standard has been established.

It also revealed a general ignorance about techniques for removing toxic chemicals from contaminated earth. Sandoz, to its credit, has developed a successful international line of business in this area.

But by far the most important impacts of Schweizerhalle have been on the cultures of the companies themselves and their relationships with the people of their home city.

At heart, Basle is still a genteel trading centre at one of the more important crossroads of western Europe. An uninformed visitor wandering through the elegant old city, or sitting on the leafy edges of the Rhine as it passes through the town centre, would have no idea that four huge chemical complexes are only a few hundred metres away.

Officials of the four, Ciba, Roche and Lonza, as well as Sandoz, are at pains to say that they were investing heavily in safety and environmental protection long before the Schweizerhalle accident, and that is undoubtedly true. Sandoz claims its first safety officer was appointed in 1951.

However, they willingly acknowledge that their attitudes toward their surrounding community prior to the accident were characterised mainly by patronising arrogance.

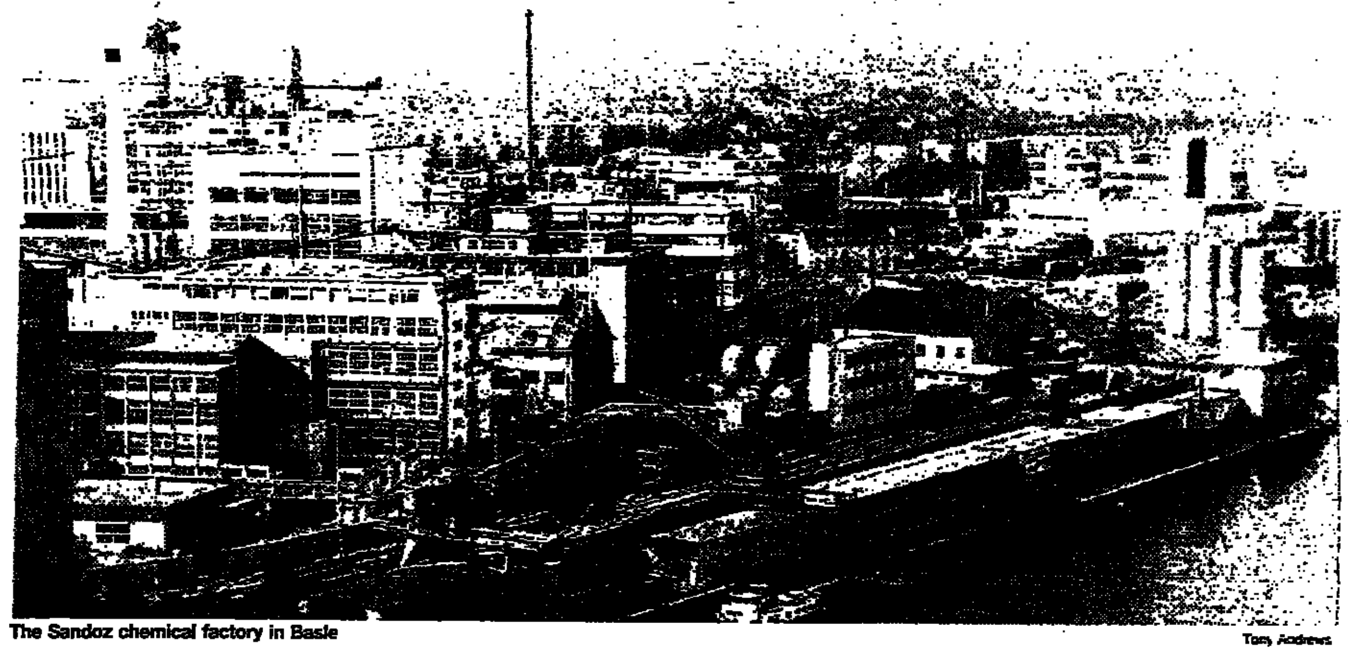
The people of Basle were also at fault. Basking in the extraordinary prosperity produced by the companies – Basle is the second richest city in Switzerland – they were for the most part content to accept assurances that every precaution was being taken to protect them.

All that came to an end on November 1 1986. In the weeks after the fire, the companies frequently made petulant and self-serving statements in an attempt to play down the significance of the disaster. Angry residents called the companies murderers and, on one occasion, threw dead fish from the Rhine at Sandoz officials.

"The over-reaction showed that something was wrong in the relationship," a Roche official says.

Gradually, the companies realised the need to change, and they now have exemplary programmes for involving the public in their activities.

All of them, for example, encourage visits from local residents to their plants. "Every week we have groups of teachers, students, politicians, journalists and schoolchildren. Before we showed them pill-pressing – now it's high-temperature incinerators and waste treatment plants," says Dr Hans Künzi, director of corporate safety and environmental protection at Roche.



The Sandoz chemical factory in Basle — Tony Andrews

Neighbourhood meetings are frequent, and residents are invited to comment on company plans and projects. At Ciba, for example, a planned refurbishment of the Klybeckhof office building was substantially modified two years ago because of residents' concerns about traffic flow and noise from ventilators.

**All the companies now encourage visits from local residents to their plants**

There are still significant differences in the companies' disclosure policies, reflecting the differing cultures. Ciba is the most open, providing a vast array of statistics on its emissions. Plant managers are encouraged to carry an "Oekogenda", containing many of these statistics and indicating targets to be achieved.

Sandoz, on the other hand, is wary about publishing statistics wholesale, preferring to release them in seminars so it can explain the context. "We feel that publishing statistical data does not really help in the communications process. Naked figures are hard to understand," Mr Jürgen Müller, head of Sandoz Technology, says.

But all the companies have the same aim. As Mr Künzi puts it: "You can only work in an environment where you are considered to be a neighbour. We want to be a better and decent neighbour. The alternative is to move somewhere else.

"Having a good image is also important for personnel marketing – if your name is ugly and smelly, you are going to have difficulty recruiting young people," he adds.

Have these programmes worked? The consensus in the city is that there is still a high level of scepticism among the public, but that is seen as not necessarily a bad thing.

"The relationship is more mature. Today, everyone knows this is a dangerous industry, but they also know that the companies are doing everything they can to minimise the dangers," says Mr Stefan Cornaz, a director of the Basle Chamber of Commerce responsible for environmental issues.

Mr Cornaz and others point out that at the last city elections in early 1992, candidates who were less hostile to the industry than their predecessors were successful.

Environmental protest groups admit that they now have less support than they did in the aftermath of Schweizerhalle. Two years ago, Ms Florianne Koechlin successfully led a campaign to block Ciba's application for planning permission for a genetic engineering research facility. Today, she says, it would be more difficult.

"The problem now is recession and a more industry-friendly government." And, she admits, "the industry is more effective."

**Ian Rodger**
*Zurich*





Scientific evidence supports opposing arguments

# Chlorine industry fights back

NOWHERE ARE opposing views more entrenched than in the argument now raging between environmental campaigners and the chlorine industry.

Environmentalists, led by groups such as Greenpeace, demand that all chlorine production should cease immediately because the chemical and its many derivatives cause serious harm to people, animals and the environment.

That is misinformed nonsense, says the industry. Chlorine gives many benefits to society and will remain a fundamental building block of industrial chemistry.

The middle ground is difficult to find even though both sides use the same body of scientific evidence to support opposing arguments.

Until quite recently, the campaigners had chlorine makers and users in full retreat. For example, paper and pulp manufacturers, traditionally some of the biggest users, have moved or are changing to alternative bleaching agents.

Furthermore, a significant number of governments in Europe introduced bans on the use of PVC plastic in building projects. PVC contains chlorine. Some large retailers began to look for alternatives to PVC packaging.

But after initial confusion, the chlorine industry has responded to the threat and its public relations is fighting back amid genuine attempts to clean up its production processes.

"It is making definite moves to put its house in order, although the environmental pressure has not eased," says Mr Stephen Harriman of Harriman Chemsult, a London-based consultancy.

Mr Jan Wesseldijk, president of Akzo Chlor-Alkali and chairman of Euro Chlor, a trade body, says the industry takes its environmental responsibilities seriously.

"Perhaps we have been slow to respond to increased communications needs and have neglected to highlight the actions already taken to safeguard society. The way forward lies in investment in research and positive action to demonstrate and reassure the public."

Such assurances are badly needed, mainly because some of the suspected side-effects of chlorine are horrific. The chemical has been implicated in virtually every environmental nightmare, from the depletion of the ozone layer to reduced sperm count in men.

In its elemental form, chlorine is a gas formed by passing electricity through common salt. For every tonne of chlorine made, the process produces just over a tonne of caustic soda, which is used in industrial processes and to make detergents.

Chlorine and its derivatives, such as sodium hypochlorite, are used throughout the world to disinfect drinking water.

**Some of the suspected side-effects are horrific. Chlorine has been implicated in depletion of the ozone layer and reduced sperm count in men**

But most chlorine is used in the manufacture of a vast range of products, such as drugs, pesticides, plastics and industrial chemicals. Some of these retain chlorine at the end of the process, while others do not.

Some chlorinated products, such as DDT (a pesticide), PCB (an insulating liquid) and CFCs, have been implicated in global environmental problems. And dioxins – considered to be one of the world's most dangerous group of poisons – can be created when chlorinated substances, such as PVC and PCB, are burnt at low temperatures. (Dioxins are also formed when other non-chlorinated substances, such as wood and tobacco, are burnt).

Furthermore, the traditional method of making chlorine involves mercury, and small but sometimes dangerous quantities of the metal are emitted as waste into rivers and seas.

But chlorine is an integral part of modern life and contributes to the health and wealth of society. Its disinfectant properties, for example, are unsurpassed in the treatment of drinking water. This is especially true in developing countries where alternative methods, such as ultra-violet light and ozone, are not practical.

In 1991 the total production of chlorine in Europe was 9m tonnes, giving the industry an estimated worth of between ECU 100-120m a year, according to Euro Chlor.

Only small amounts of elemental chlorine are sold on the open market. Most of the production goes straight to an associated plant that uses the chemical to produce other products. About half of the European production is used to make plastics.

The most popular plastic is PVC, which is made by reacting ethylene – derived from oil with chlorine. PVC is used, among other things, as packaging, to insulate electrical equipment and to make window frames. Other plastic made with the use of chlorine include polyurethanes, polycarbonates and epoxy resins.

Chlorine is also used as an intermediate in the production of titanium dioxide (the white pigment in paint and toothpaste) and silicones. Chlorinated solvents, such as perchloroethylene and methyl chloroform, are widely used as cleaning agents in industry.

Only a small amount (not more than 6 per cent) of the world's total chlorine production is used to purify water.

Environmental campaigners have successfully highlighted the possible health risks from the use and disposal of some chlorinated products. Among these are the creation of dioxins when PVC is burnt in municipal incinerators and the production of potentially harmful byproducts when chlorine reacts with other substances in the environment.

The industry has answers for most of the accusations made against it, but the campaigners' position is strengthened by chlorine's involvement in pollution incidents where there is no disagreement about the environmental damage caused. These include CFC's role in the depletion of the ozone layer and the harmful affect of DDT and PCBs.

"The chlorine industry is aware now that the end of the road is nigh – it just depends on how long they can spin it out," says Ms Madeleine Cobbing of Greenpeace.

Mr Harriman says it will be difficult for the industry to find new uses for chlorine to replace the eroded parts of its market. "In the paper and pulp market the environmental lobby has certainly won."

But he says the environmental pressures have yet to break the historical cycle of the chlorine market. "The perception that chlorine is in decline is incorrect. For example, the recent upturn in the US economy has already increased the demand for chlorine there to a point where it is outstripping supply."

**Peter Knight**

ICI's community relations strategy seems to be paying off

# The bedroom move that says it all

Why should one of the world's biggest chemical companies, manufacturing in 40 countries and selling 15,000 products, consider it has scored a success when an elderly couple writes to it to say they had temporarily moved from the front to the back bedroom of their Redcar semi?

For ICI on Teesside, this letter was a sign that the effort it has put into its community relations strategy, bedrock of what it terms its moral licence to operate, is paying off.

As Teesside's dominant employer, ICI has had enormous direct and indirect influence on the surrounding population for much of this century. At its early 1960s peak it employed more than 30,000.

But, by its own admission, its drop in employee numbers during the 1970s and 1980s to

**The cracker's capacity almost doubled in the 1980s. Flaring, in which excess hydrocarbons are burned off, increased**

10,000 on Teesside today (including Zeneca businesses), and its historical reticence about explaining its operations to the public, combined with growing environmental demands from surrounding communities to create problems.

These came to a head in 1990 when people living around the Wilton site, on the south bank of the Tees, became angry at flaring from Olefins 6, the Wilton ethylene cracker.

A joint BP-ICI venture operated by ICI, the cracker is the second largest in the world. Built in 1979 at a cost of more than £200m, its capacity almost doubled in the 1980s and flaring, the noisy process in which excess hydrocarbons are burned off during shotdown, increased.

Problems following the 1990 shutdown caused more flaring, further annoying local people already unhappy at the Enron project, a plan to build the world's largest gas fired power station at Wilton.

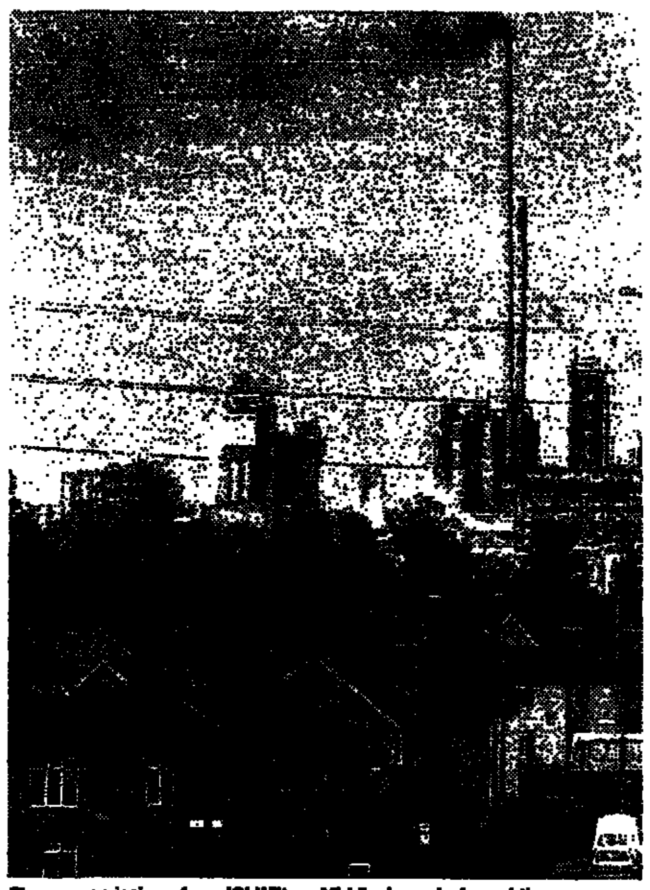
ICI realised it had to act to restore its own standing among local people. Since then, under the banner of its community affairs group, it has become much more pro-active and espoused a policy of dialogue with the community.

Methods of contact range from liaison plans and a promotional ICI community bus to a free community safety calendar, offering emergency advice to people within one mile of ICI sites and an exhaustive programme of educational links.

Before the cracker underwent its shutdown – every third year – this spring, ICI's community affairs group launched a 220,000 leaflet information campaign; the result was zero complaints, and positive feedback, including the letter from the elderly Redcar couple, who moved bedrooms because of the flaring.

Chemical industry critics may point out there is more than a little corporate self-interest in this – after all, the purpose and aim of ICI's Teesside community action team, established in 1991, are "to re-develop employee morale/esteem/community spirit" and "to protect and develop licence to operate". But Mr Peter Dunlop, a retired engineer who chairs the Grangetown liaison panel, is in no doubt there has been a genuine change of heart within ICI – perhaps more than the company would like to admit.

"In the past they weren't just complacent, they were offhand," he claims. "Complaints from the community would go to ICI and just be ignored."



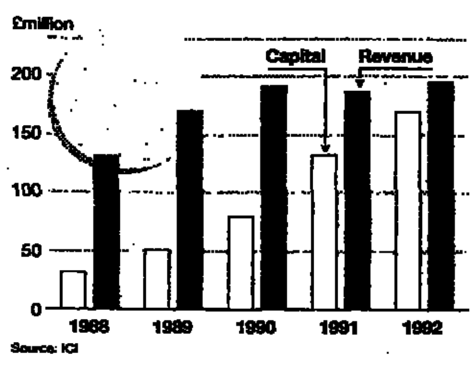
Flue gas emissions from ICI Wilton, Middlesbrough, forced the evacuation of the adjoining residential area

Now, he says, the regular liaison panel meetings receive full details of ICI emissions, and ICI experts attend when requested.

Significantly, ICI is now seen locally as an example for other local companies. Mr Dunlop is heartened that British Steel is for the first time sending a representative to this month's liaison panel meeting.

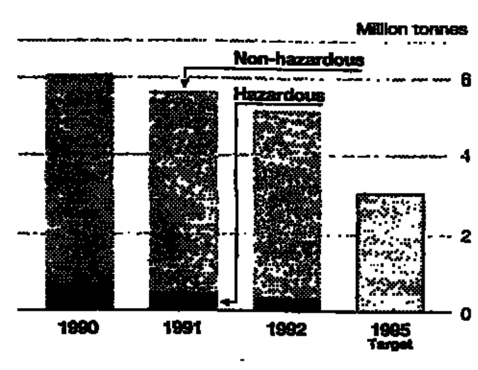
Mr David Walsh, chairman of Cleveland county council's economic development committee, praises ICI for publicly identifying its emissions and reduction targets. "It's become a better neighbour," he says. "I'm encouraged that one company is prepared to be very open. It's an example which ought to be followed by other companies on Teesside."

**Environmental expenditure**




Source: ICI

**Total waste to land, air and water**




Mr Dunlop has never heard of the Responsible Care scheme; he believes ICI's move to a more open approach was heavily influenced by the example set by the American-owned Enron Corporation. He points out that Enron paid for the £350,000 Grangetown neighbourhood centre in which the liaison panel now holds its regular meetings.

The creation of liaison panels like Grangetown's are important in fulfilling one of the aims of Responsible Care – demonstrating that performance improvements are taking place.

Mr John Galbraith, ICI's Teesside operations safety manager, who is involved in Responsible Care's north-east cell, says there has been a big change in internal attitudes too in recent years in ICI.

"Ten years ago the feeling could have been there that management put safety in place and the guys did as they were told. It's the involvement of everyone which is the main shift."

Giving priority to health, safety and environment issues means showing management's commitment to these issues, says Mr Galbraith. "Management can't be seen to be complacent," he says.

A cornerstone of the week is the Friday morning meeting between Mr Sandy Anderson, ICI Teesside operations general manager, and production managers to review the week's operations; the gist of discussions is passed back through a communications cascade system.

ICI points out that despite sustained criticism from environmentalists, notably Greenpeace, its emissions to the environment have been cut by 75 per cent in the past 20 years.

It admits Teesside's industrial heritage, in which it has played a key role, seriously polluted the Tees. After decades as a "dead" river, salmon are only now starting to return.

But ICI is keen to gain credit for the efforts it has made to reduce emissions; between 1988 and 1992 alone it spent £100m on environmental improvements. In the next few years it will spend tens of millions pounds more.

The biggest investment is £66m on a newly opened sulphuric acid recovery plant at Billingham, which has eliminated ICI's sea disposal of

**Difficult decisions on the cost of improvements to some ICI Teesside plants, some of which date from the 1960s**

acidic waste, significantly improving the Tees water quality.

The SAR plant is part of the £110m Monomer 8 project, ICI's biggest UK investment for more than a decade. It is doubling its Teesside manufacturing capacity of methyl-methacrylate to 200,000 tonnes annually and helping establish ICI as the world's leading acrylics manufacturer. Significantly, given the hold that jobs used to give ICI on the surrounding community, this huge investment will permanently employ just 40 people.

The Monomer 8 project fits in with ICI's corporate strategy of concentrating on businesses where it has global strength. But ICI faces more difficult decisions about the cost effectiveness of environmental improvements to some of its activities on Teesside, where several plants date from the 1960s.

While it expects to make a 64 per cent reduction in Teesside waste emissions by 1996 – outstripping ICI's corporate 50 per cent target – the easy steps have now been taken.

"We are getting to the point where it gets more and more difficult to make improvements," says Mr Tony Lewis, Teesside environmental services manager. Compounding the problem, as ICI restructures it is under increasing financial pressure to justify all its operations.

"We have to get value for money in terms of environmental improvements," says Mr Lewis. "There may be occasions when businesses can't afford the environmental improvements."

He says it would be wrong to blame plant closures purely on the cost of necessary environmental upgrading: it is one element in the equation, not the total sum.

However, any factor which may reduce Teesside employment is of concern. But it is striking how high up the general public's agenda – and the legislative framework – environmental concerns have moved.

"Environmental improvement is not an option for us," says Mr Lewis. "I don't think we have any choice."

**Chris Tighe**
*Newcastle*

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Attitudes to public information have changed, reports **Andrew Jack**

# Disclosure is now a way of life

The chemical industry is at a crossroads in environmental reporting. After a burst of enthusiasm comes the need for consolidation and improvement in the quality and consistency of what it says.

Just a few years ago, the sector was as uncommunicative and inactive as many other types of company. When it came to public information, there was next to none. Now it stands ahead of most of the rest.

"It's hard to think of any major international chemical company that does not provide some form of environmental information," says Mr John Elkington, head of Sustainability, an environmental consultancy based in London, and joint author of a recent study of green reporting. "The industry has been in the lead in the whole area of disclosure."

Suddenly, there is a separate sub-industry growing up around environmental consulting, auditing and training. The Institute of Chemical Engineers, for instance, recently felt the need to produce a training package on environmental auditing.

Part of the change in attitude to public information reflects the existing internal work being conducted by the industry. Effective management systems have been introduced over a long period for economic reasons of

**From almost no public information a few years ago, now the sector is ahead of most of the rest**

waste minimisation. Recycling has made sound business sense.

On toxic emissions and other pollutants, part of the change also reflects the growing interest, regulatory requirements and public and peer pressure for greater green disclosure.

But Mr Elkington highlights two key events which have brought about greater disclosure in the industry within the last decade. The first was the leakage of toxic gas from the Union Carbide chemical plant in Bhopal in India in 1984, which is estimated to have killed more than 3,800 people.

He says that left many companies feeling very exposed, and led to a wave of environmental audits of their operations. Monsanto even issued what it called the "Monsanto pledge" on the control of emissions. Other companies followed this lead.

Bhopal particularly affected US-based chemical groups. Norsk Hydro is fêted for its environmental reporting, but Mr Elkington points to another embarrassing incident in the past which helped spark this approach: a break-in at one of the company's sites by a Norwegian green pressure group called Bellona, which publicised high levels of soil contamination.

While the incidents sparking greater disclosure have been so negative, they have at least brought about considerable positive change through increased disclosure. Several recent surveys suggest that chemicals now provide more environmental information than most other sectors.

"Over the last few years the chemical industry has certainly realised that its bottom line is affected by its public reputation, and has paid a lot more attention to communicating with its audience," says Mr Guy Liardet of the Chemical Industries Association.

Mr Elkington says: "I think there has been a very significant shift in thinking about disclosure since 1989. Before then, most companies felt it would be undesirable. Now we have gone beyond the watershed."

Initial fears that reporting, fuelled by the consumer pressures of the late 1980s, would die away in the harsher economic conditions of the 1990s seem to be unfounded, he adds. "But environmentalism hit its high water mark in 1990," he warns.

That does not mean the results of greater reporting have been uniform. The first environmental document produced by ICI, for instance, was criticised for highlighting the good news and neglecting to mention more critical information such as fines and court hearings against it.

Mr Elkington points to Dow Europe as the model for better reporting, primarily for two reasons: the publication of environmental data site-by-site rather than lumped together; and for providing comparative figures on previous performance and projected targets for the future.

He says there are two principal issues after the floodgates on disclosure among chemical companies: first, that it is confined to that sector with relatively little from other sectors; and second, that there is a lack of standardisation which makes comparisons fraught even between those which do produce public reports.

He would like to see regulations and legislation to bring about greater consistency in reporting. But others are less sure. Mr Liardet, of the Chemical Industries Association, argues that would be too complex to introduce, difficult to police, and would reduce the flexibility in reporting the most relevant information on the enormous range of chemical products and byproducts generated.

Instead, he cites voluntary guidelines to be launched at

**In spite of the pressure for greater information, there has been little attempt to react**

the end of June by Cefic, the European chemical industry council of which the CIA is a member. These are likely to include information on accidents, complaints, energy consumed, and details of particularly hazardous types of waste.

That reflects the general tenor in Europe of voluntary guidelines in contrast to the regulation-driven system in the US. Attempts to emulate such a system on the eastern side of the Atlantic have foundered, with few exceptions.

Emas, the European Commission's guidelines on ecological management and audit scheme, released in final version this spring, is a case in point. It began as a mandatory scheme across all of a company's operations. It ended up being voluntary and site-by-site. Regulation gave way to the argument that competitive pressure alone would bring about compliance.

Mr Elkington highlights another big problem over environmental reporting in Europe. In spite of the pressure in the past for greater information, there has been little attempt to react to the published numbers by users of this information.

In the US and Canada organisations have been active in building up databases to make comparisons between different companies. In Europe, that is far less the case.

"So far the response from non-governmental organisations has been relatively disappointing," he says. "They called for data for many years. But their reaction has been fairly mute."

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Profile: CIBA PIGMENTS

# The grub without the grubs

THREE or four times a year, groups of local women visit the Ciba Pigments plant at Paisley, near Glasgow. They are not concerned with the automated processes which produce yellow and blue pigments: their destination is the canteen.

Its chefs give cooking demonstrations and the women try out the recipes on the spot, eating what they have cooked. It has nothing to do with chemicals but, says Mr Ian Shankland, safety and environmental protection manager, "it makes visitors familiar with the plant and gets them to know the kind of people we are."

Ciba-Geigy has been in Paisley since the 1940s, developing, making and marketing pigments for use in printing inks, paints and plastics. About 70 per cent of the plant's turnover – £116m in 1992 – is exported, much of it to Germany.

Up to a decade ago the plant had little contact with the people of Paisley, except as being a major employer (it currently employs 800 people and is the town's biggest private sector employer). The change came as the public became increasingly conscious of environmental issues, and the Swiss company realised that to be environmentally sound was not just in the public interest but was also in its own interests.

"There were financial people such as investors who thought Ciba-Geigy was spending too much on environmental protection," says Mr Shankland. "But we told them it was a positive investment for the future. At worst, we could go out of business if we didn't do it. The company aims to be operating well into the next century."

Mr Shankland says that the Paisley pigments plant is a low hazard site with a good environmental record, though he acknowledges that it is large and is close to residential areas. The drive to improve its environmental standing began around 1987 when Ciba-Geigy's headquarters in Basle decided to carry out audits of all its sites and asked plants to highlight future problems. At the same time, new EC legislation was coming into force.

The company decided that, in addition to complying with national environmental standards, it would implement in all its worldwide plants the stiffest standard being applied anywhere – which generally meant the German standard.

Mr Shankland points out that although the Paisley plant is beside the River Cart it draws no water from the river, being supplied by the local authority water service. All its effluent goes through its own treatment plant before passing to the municipal treatment plant, before being released in the River Clyde.

He points to two sets of measures Ciba has taken to improve its environmental performance. First, recognising in 1990 that increased production of blue pigment with the phthalocyanine process would add to the copper effluent from the plant, it cut the amount of copper used to make the pigment. It chose this solution rather than devote its efforts to cleaning up the effluent, which would have been what he calls "an end-of-pipe solution".

The project did not involve capital expenditure, but rather the time and the work of the chemists involved. It was successful in reducing copper levels to half of what they had been and the new process turned out to be cheaper. There was a risk that by changing the process Ciba would have altered the product, making it unacceptable to the customer, but this did not happen.

Secondly, Ciba Pigments had to deal with the production of additional ammonia from the increased output at the blue

**"When they ask questions we tell them the truth and they go away with any fears they might have had dissolved"**

plant. The increase would have breached Clyde River Purification Board limits. The solution was to build a plant to oxidise the ammonia into nitrogen and water vapour by burning it with natural gas.

The tall, thin blue chimney of the thermal oxidiser has become part of the complex's skyline. The project cost between £250,000 and £300,000.

Both these measures were required to meet the legal limits, though Ciba claims it exceeded them. However, other measures it has taken were not required by outside regulation but rather to improve the environmental performance and also the efficiency of the plant.

A major part of this is waste minimisation. As part of this, the company has installed tanks to collect and recycle the sulphuric acid which it uses. This has cut consumption of sulphuric acid by 30 per cent.

Ciba Pigments now delivers its pigment granules in portable hoppers which the consuming company returns to Paisley after use. This eliminates the waste of disposable containers or packaging.

The biggest capital expenditure has been to upgrade the Paisley complex's sprinkler system and build an eight-inch-high wall around the entire complex. These measures, costing £600,000, were taken after a bad fire at the Sandoz plant in Basle in 1986 led to water from the fire brigades' hoses carrying polluting chemicals into the Rhine.

Mr Shankland says that if such a thing had happened at Paisley the chemicals would not have killed fish but they would have made "a hell of a mess".

A good part of the company's efforts over the past few years has aimed to ensure that local people see Ciba Pigments as a good neighbour. Local councillors and MPs visit the plant, and visitors' groups are encouraged. "Most fear is based on ignorance," Mr Shankland says, "and most of what people see coming out of the chimneys is water vapour. When they ask questions we tell them the truth and they go away with any fears they might have had dissolved."

The company says its staff are its best ambassadors in spreading the word about the plant. "They want to be able to answer the questions people put to them and so we hold monthly meetings to bring them up to date on what's going on," says Mr Shankland.

There is evidence that the image of the plant has improved in recent years. "Ciba has good relations with people in Paisley," says a local reporter. But he recalls an occasion about two years ago when red dust leaked into the air and landed on people's roofs and gardens.

Mr Shankland says: "That was a one-off. A dust filter burst because it malfunctioned. We've put in new equipment since then."

**James Buxton**
*Edinburgh*

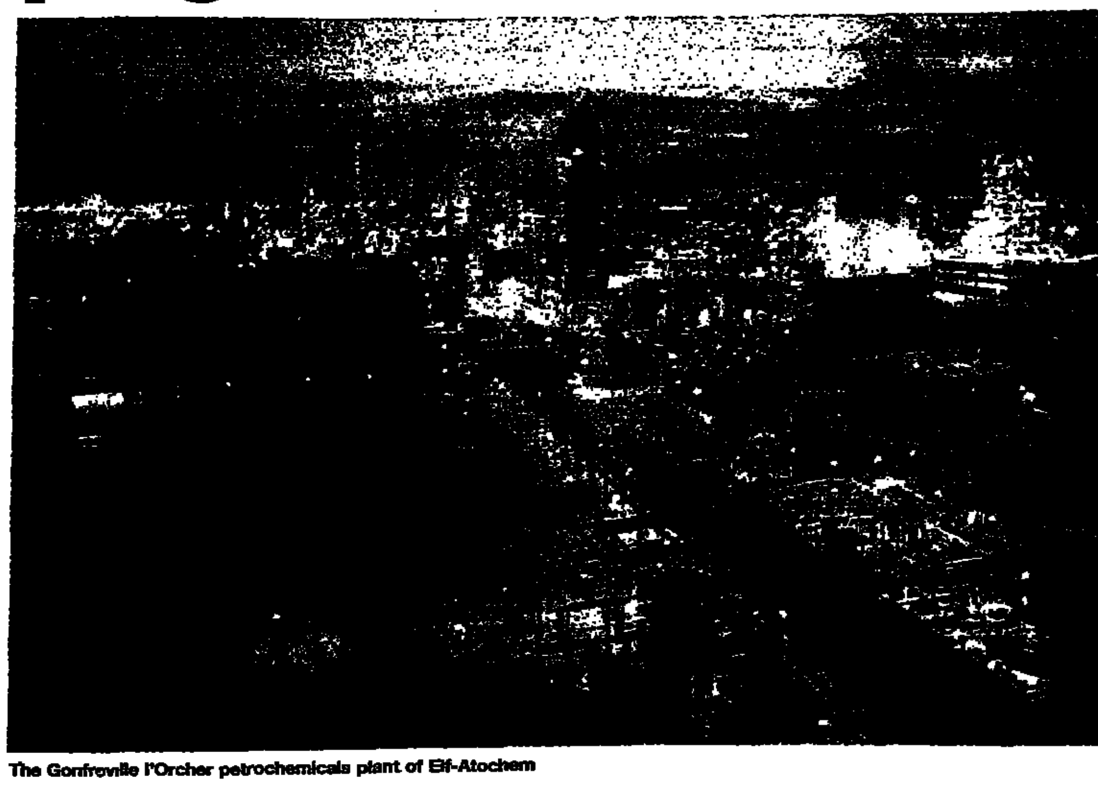
**Profile:** ELF-ATOCHEM

# Keeping ahead of the game

ACROSS the estuary from Harfleur, where nearly 600 years ago Henry V landed for his Agincourt campaign, dark smoke emerges from one of the stacks at Elf-Atochem's petrochemicals plant at Gonfreville-l'Orcher.

Such pollution is an exception to the rule, insists Mr André Grosmaitre, director of the site. The complex, consisting of a 470,000-tonne a year ethylene cracker and capacity for manufacturing derivative plastics, has received substantial investment in recent years to reduce and minimise emissions.

"We've cut the site's annual emissions to the air from 25,500 tonnes a year in 1977 to 7,848 tonnes last year. Meanwhile, hazardous waste production, which increased from 4,480 tonnes in 1986 to 10,690 in 1990, has been cut again to 4,550 tonnes. As for liquid emissions, they have been reduced by more than two-thirds since 1981," claims Mr Grosmaitre.



The Gonfreville l'Orcher petrochemicals plant of Elf-Atochem

When the local authorities allowed production to increase by 30 per cent in 1990, they insisted emissions should not rise. In fact, they have actually fallen, he points out

In spite of such achievements, the group's management has set what it believes are ambitious targets to reduce emissions over the next five years. During that time, it plans to reduce water emissions by 30 per cent, cut production of 17 key wastes by 50 per cent and nitrogen oxide emissions by 25 per cent, and to increase the proportion of hazardous wastes treated within the organisation from 90 to 95 per cent.

Such targets are voluntary, but in spite of the cost are highly necessary, says Mr Francis Bazile, board director responsible for the environment. The group worldwide spends about FFr2.4bn a year on the environment. At Gonfreville alone, the company spends FFr20-30m a year on capital projects for safety and the environment, as well as about FFr40m a year on environmental operating expenses.

"If we want permission for a new unit, we have to be ahead of the game, so we make sure we are below the levels insisted on by the local prefecture," says Mr Grosmaitre.

The investment and progress have been made, not directly because of legislation, but rather to head off legislation, explains Mr Grosmaitre.

"We don't want the administration imposing something on us, because it would be unlikely to be the best solution for the environment. We might have to spend a lot of money that would have little impact on the environment," he says.

If the chemical industry is not seen to improve its performance, then there is a danger that unnecessary legislation may be introduced. Recent EC legislation controlling 132 micro-pollutants would make effluent purer than drinking water, he claims.

Elf-Atochem's general philosophy is to reduce waste production at source rather than deal with it at the end of the pipe," says Mr Roger Papp, director of safety and environment at the company.

Mr Bazile gives the example of the polystyrene plant at Carling in the department of Moselle where the company introduced a new technology that recycles the waste monomer, eliminating the need to produce aqueous wastes.

Much of the effort at Gonfreville has gone into waste minimisation. The halving in the production of hazardous waste was achieved by recycling a byproduct – aluminium

**When you influence a child, you influence the whole family**

chloride – rather than incinerating it, and then using the chemical for cleaning water.

"Our internal surveys show the efforts we have made have paid off. People are proud to be working for the company. They are conscious of the enormous progress we have made," says Mr Grosmaitre.

Externally, progress has also been made, he claims. This has been achieved as much by the improving environmental performance of the complex as by a programme to communicate that improvement to the local population.

The company campaigns on its own and through a body representing the industrial zone behind Havre where the complex is sited.

Mr Grosmaitre explains: "Three or four years ago we conducted a qualitative opinion poll of attitudes to the industrial zone and the Harvraise population. We found there was a gap in understanding. On the one hand, there were expectations that the industrial zone would take up the slack from the declining port-based industries. But at the same time, there was suspicion about this apparently mysterious universe."

The companies located in the industrial zone launched a newsletter in three local newspapers, explaining what the factories did, and giving details about safety issues. An additional booklet, put together by 26 companies, provided information for youngsters wanting to find employment in the zone.

The companies also targeted the local school population. Mr Grosmaitre explains that when you influence a child, you influence the whole family. Visits include showing the site fire-engines putting out blazes and picnics in countryside near the plant. Independently, teachers from all disciplines were invited.

The safety of the industrial zone is also stressed. The last serious incident was in 1940, when retreating French forces sabotaged the oil refinery to stop it falling into Axis hands.

Mr Grosmaitre reckons a measure of the success of Elf-Atochem's efforts is the lack of difficulties the company had in receiving permission for a FFr2bn extension three years ago.

"We are never finished," he admits. "At the moment, the biggest concern in Le Havre is the smell of sulphur from the industrial zone. That's a bigger problem than unemployment, Aids or any other issue, and we will have to deal with it." The immediate target is to cut sulphur dioxide emissions by 50 per cent within 10 years.

**Paul Abrahams**

RESPONSIBLE CARE IN JAPAN

# Legacy of Minamata

WHEN THE engagement of the Crown Prince to Ms Masako Owada was announced earlier this year, most Japanese media coverage did not fail to mention Ms Owada's family links to a historic pollution disaster in Japan.

Ms Owada's grandfather was once chairman of Chisso, a company which was responsible for the death and physical disability of thousands of victims of mercury poisoning in the late 1950s.

The references to Chisso are a reminder of the powerful impact that the mercury poisoning disaster continues to have on the Japanese public consciousness.

The mercury poisoning first surfaced in Minamata, a fishing village in southern Japan. That and other serious pollution problems traced to chemicals manufacturers in the ensuing years have left a deep-rooted suspicion of the chemicals industry among the Japanese public.

But it has also meant that Japan's chemicals industry is obliged to comply with stringent environmental regulations. "In terms of dealing with pollution, Japan is a developed nation," asserts Mr Koichi Nishikawa, managing director of technical matters at the Japan Chemical Industry Association. "We have the strictest regulations in the world on pollution and very strict social monitoring."

This confidence in the industry's handling of environmental issues, under the guidance of government regulation, led Japan initially to question the necessity of introducing Responsible Care.

At Japanese chemical factories, checks on safety measures are made by regional authorities even in the middle of the night. Japan has also developed some of the most sophisticated environment protection equipment for desulphurisation and water purification.

The chemical industry has been educating its workers on environmental protection for over 20 years, ever since the severe pollution problems of the 1970s caused a public outcry and severely damaged the industry's image.

As a result of these measures, there are very few chemical accidents or labour injuries among Japanese companies, Mr Nishikawa claims. The frequency rate last year of lay-off injuries for over one year was on average 0.5 per million working hours.

"This is a superb performance and indicates the high level of training among Japanese plant managers," Mr Nishikawa says.

The point is echoed by Mr Yoshita Sakami, general manager of the environment and safety department at Sumitomo Chemical who says that "Sumitomo has emphasised co-existence and co-prosperity with society from the time of our establishment so the concept of responsible care is nothing new to us."

Nevertheless, the Responsible Care programme was launched by the association with the participation of 168 companies and 49 industry associations. The association felt that "there was a need for continuous reform, for example, where there are no government reforms yet," Mr Nishikawa says.

The Responsible Care programme concentrates on areas where there are no regulations, such as on making effective use of waste and waste minimisation.

Another feature of Japan's programme is that it includes energy, which is not included in the US or EC guidelines, Mr Nishikawa points out. "In Japan, energy is also an environmental issue."

In addition to protecting the environment from chemical wastes and ensuring safety measures are in place, "we also have a responsibility to supply products that take into consideration the environment, such as those that can be recycled," says Mr Sakami at Sumitomo Chemical.

The efforts that the industry has put into dealing with environmental issues have helped to improve its image in recent years. The industry has suffered from an image problem which began with the pollution of the 1960s and 1970s and continued through the two oil shocks when the Japanese chemical industry entered a structural recession.

There is some evidence that that image has changed for the better. A recent survey for the JCIA found that respondents felt that of all the industries listed the chemicals industry had made the most efforts to deal with pollution.

That compares with a survey in 1978 when 66 per cent of respondents felt that the chemicals industry was the biggest producer of pollution.

The industry has also launched a campaign to further public understanding of the industry and its important role in society. It uses the catchphrase: "Chemistry makes our dreams come true," and is backed by the ministries of education and of international trade and industry.

But the chemicals industry still has a long way to go to counter the public's lingering suspicion of its commitment to environmental protection. "There are many incidents that show chemicals companies are still breaking the rules on pollution," says the Consumers' Union of Japan.

It points to reports of dead fish surfacing in rivers and of pollution, for which a chemicals company is usually found to be responsible.

Japanese chemical companies are widely suspected of polluting in countries where environmental regulations are not as strict as in Japan, indicating that the public still distrusts the chemicals companies' intentions.

Even Mr Nishikawa at the industry association admits that "since Japan is a country traditionally ruled by government regulation, there is a feeling that what is not a regulation is not necessary."

Japan's chemical industry still has a long way to go to overcome the legacy of Minamata.

**Michiyo Nakamoto**
*Tokyo*



**Profile:** DOW CHEMICAL

# 'We've nothing to hide'

ON A crisp April morning, under a clear blue sky, Midland Michigan seems like the most pristine place on earth. Walking past the daffodils and crocuses in Dow Gardens, just down the road from the Dow-funded arts centre, it is hard to believe that one of the world's biggest chemical plants is just a mile away.

Spring is a good time to visit Midland. In the summer, when the central valley location causes an inversion of the humid air, Dow's presence in Midland can seem less benign. "I was born in Midland but I moved away a few years ago because of the smell," says a 36-year-old gas station attendant in a nearby town. "In the summer, we kept the doors and windows shut all the time."

But it was not just the smell of Midland that convinced Dow it had to do something about the environment. "In the mid-1980s, we were asked to look at public perception of the chemical industry," says Mr Ron Pingel, Dow's director of environmental affairs and responsible care. "After polling the public, chemical company employees and Dow employees, we found a huge gap between how the industry perceived itself and how the public perceived the industry. We realised we had to do something."

That something included improving its notoriously combative relationship with the Environmental Protection Agency, which had reached a nadir in 1985 when Dow went to the Supreme Court, charging the agency with violating its privacy after the EPA took aerial photographs of the Midland plant during an air pollution investigation.

The company's public relations problem was made doubly difficult by its reputation from the 1960s, when Dow was the maker of napalm and Agent Orange used in Vietnam.

Dow's efforts to embrace its former adversaries extend beyond co-operating with the EPA and meeting the guidelines of the Chemical Manufacturers Association's responsible care programme. Dow established a board of outside specialists in 1991 to guide its environmental policy, giving it access to confidential documents and information. Dow has also initiated a number of internal programmes to convince itself, and the public, that Dow is serious about the environment.

Like other big chemical companies, Dow has cut its toxic emissions substantially in recent years. The company says the greatest decline was in the 1970s, before the figures were made public. In the US, the company says its air emissions, as required by the Toxic Relief Inventory, have dropped from 10,893 tonnes in 1989 to 8,212 tonnes in 1991. By 1995, Dow expects its emissions to be closer to 5,000 tonnes.

Spring is a good time to visit Dow Gardens

Signs of Dow's greener face are scattered throughout corporate headquarters, from the recycling bins in the dining room and offices to the memo pads embossed with the Responsible Care logo.

When the CMA introduced Responsible Care in 1988, it was quickly endorsed by Dow's senior management who realised the company needed to improve its image. At the operating level Responsible Care met with less enthusiasm. "When it was first mentioned to local plant managers, fear was in their eyes," says Mr Dave Buzzelli, Dow's vice president for environment, health and safety.

Dow's waste reduction efforts centre on its WRAP (Waste Reduction Always Pays) programme. The WRAP goals include reducing waste to the environment, recognising employee efforts to cut waste, encouraging employees to think about reducing waste at its source and measuring and tracking progress. The company says many WRAP projects help save fuel, raw materials and environmental costs.

"Instead of asking a group of environmental experts, we ask the business teams to come up with ideas," says Mr Buzzelli. "For most business people in the US, the environment has always been seen as a peripheral. We're trying to change that so our business managers make decisions about products."

Nevertheless, the overall cost component of Responsible Care is significant. Dow's environmental, health and safety operating expenses were $800m in 1992, including $200m for environmental capital investments. It hopes the investment will pay off in the long run by reducing environmental clean-up costs.

Perhaps the biggest change at Dow has been its efforts to open its facilities to local communities. "We're opening the gates to the public because what you can't see, you imagine and what you imagine, you often fear," says Mr Buzzelli. "We're showing that the company has nothing to hide."

The company has set up local community advisory panels to encourage dialogue with its neighbours. "Dow has been more than willing to discuss our concerns, whether they are business concerns or environmental," says Mr Shirley Clowers, president of Midland's Chamber of Commerce and a local panel member.

Others on the panel are more sceptical. Ms Mary Sinclair, a Midland environmentalist and long a critic of Dow, says: "Mostly, people tend to just sit back and let Dow tell them what it wants to tell them. Dow did a very good job of getting a cross-section of people for the panel, but it's a company town."

Ms Sinclair is frustrated by Dow's decision to burn dioxins in Midland in spite of the concentrations of the highly toxic chemical in the region's soil and recent findings by the EPA that dioxin may be more dangerous than previously thought.

"I'm able to get information out to the community through the panel. When we discussed siting an incinerator in the community, Dow didn't want to do any explaining of the environmental issues. I was the one who had to bring up the issues."

Ms Sinclair is also worried about Dow's refusal to endorse an air quality report by the International Joint Commission, a US and Canadian group which advises governments of both countries. The latest report recommends that incineration facilities in the region be phased out or required to eliminate the production and emission of dioxins and other toxins.

Dow has also been criticised by local environmental groups for fighting Right-to-Know legislation. Ms Tracy Easthope of the Ann Arbor Ecology Center's toxics reduction project says: "Dow may be one of the more progressive companies, and some of the quotes from the chief executive and Dow officials are impressive. But they need to act on their words."

Other environmentalists have criticised Dow's methods of measuring waste reduction, noting that incinerated material is not part of the toxics release inventory which Dow uses to make claims of reduced waste. "What Dow has done is essentially to transfer where the waste goes, so that it has reduced the amount of dioxin in the water through filtration but the sludges from filtration either end up in a landfill or get incinerated. It goes somewhere," says one critic.

Dow's executives are not oblivious to these issues. "Chemicals by their nature are reactive so they all have some degree of hazard," says Mr Pingel. "We live here too. We use these products. The debate is our debate. I believe we can research, manufacture, develop and sell chemicals in ways that don't expose people to undue risk."

**Karen Zagor**
*New York*

# NORTH AMERICAN BUSINESS TRAVEL



IN THE waning days of the recession, business travellers to North America are already starting to look back with nostalgia to a time when air fares were cheap and hotels offered first-class pampering at steerage prices.

In Canada and the United States, all that remains of the recession is a state of mind.

Canada's growth rate is among the highest of the Group of Seven, the world's largest industrial democracies; while in the US, the recession ended technically more than a year ago, when economic output stopped shrinking. But the recovery, apart from a brief surge in growth at the end of last year, has been meagre. As a consequence of poor demand at home, prices have remained weak and competition for business is as fierce as ever.

The threat of higher travel costs looms on the horizon, with signs that air fares and car rental rates are already on the rise. For the moment, however, North America remains a bargain destination, especially by world standards.

This is borne out by the average per diem for a typical business traveller to New York of $297, including three meals and accommodation. A comparable business trip to Paris would set a company back $404, while expenses in London run to $316, according to studies by Runzheimer International, a specialist travel consultancy.

And New York is the most expensive city in North America. An overnight trip to Chicago averages $218, slightly above Mexico City's $202. Costs in San Francisco and Los Angeles will run to $194, using summer rates. Atlanta is a more modest $165, while Canadian cities are downright cheap, with per diem costs of $155 for Vancouver and $150 for Toronto.

Indeed, returning visitors to New York will find costs have risen by only $15-a-day since 1990, and other US cities have seen similarly modest cost increases.

This is good news for business travellers, who can still expect to find bargains in lodging, food and car rental. In the 12 months to March 1993, Runzheimer found meal prices had edged 2 per cent higher, while lodging costs rose 1.9 per cent. Furthermore, average car rental prices dropped 10.7 per cent in the US in the same period and are now below 1988 levels.

The bad news is that there are already signs of rising travel costs. At the four biggest car rental agencies, summer rates in general are running above last year's levels. Furthermore, air fares appear to be stabilising at higher levels. The US airline industry, which has haemorrhaged about $10bn in losses in the past three years, is making a concerted effort to staunch its losses by ending the vicious fare wars which helped push the industry into the red.

According to Runzheimer, unrestricted coach-class fares jumped 38.7 per cent when analysed over 12 months to the end of this year's first quarter. Business discount fares were up only 0.6 per cent, while the lowest published adult fares rose 15 per cent.

An early round of bargain summer fares led to some speculation that the higher fares wouldn't hold, but so far these cuts have been skirmishes rather than fare wars, and the discounts have not been as deep as in previous years. There is reason to believe that the days of inexpensive travel are over.

To make matters worse, service on most airlines has suffered as a result of cost-cutting measures. Meals, in particular, have shrunk in recent years. While most carriers skimp on lettuce leaves and other trimmings (which can save an airline millions of dollars each year), some carriers are cutting back on their total meal service.

Breakfast on a morning Northwest flight from New York to Detroit, for example, is a lone poppy-seed muffin, presented on a plate in its plastic wrapping.

Until recently, North America was often used as a synonym for the United States, with Canada sometimes perceived as the 51st state. Mexico, with its more obvious cultural and linguistic differences, was often considered part of South America.

This distorted view of the continent did a disservice both to the very real cultural differences between Canada and the US, and to the important connection between the three countries comprising the northernmost continent of the western hemisphere.

First-time visitors to Toronto are often surprised to find that its spirit is closer to London than to neighbouring Detroit. Torontians shop at Marks and Spencer, drink their tea with milk, have access to a national healthcare system and abide by strict gun control laws. In Detroit, tea is served with lemon, and the lack of restrictions on gun ownership helps to account for one of the highest urban murder rates in the world. Similarly, Montreal, with its cafes and well-heeled women, seems closer to Paris than to the mingled French and Caribbean culture of New Orleans.

Thanks to the North American Free Trade Agreement (Nafta) between the US, Canada and Mexico, the world's perception of the continent may have changed for good.

Although Nafta was signed last December by the trade ministers of Mexico, Canada and the US, it has yet to be ratified by Congress in the US. It is possible that political opposition in Canada and the US could still kill the agreement, but strong trade and investment ties have been forged already among the member nations.

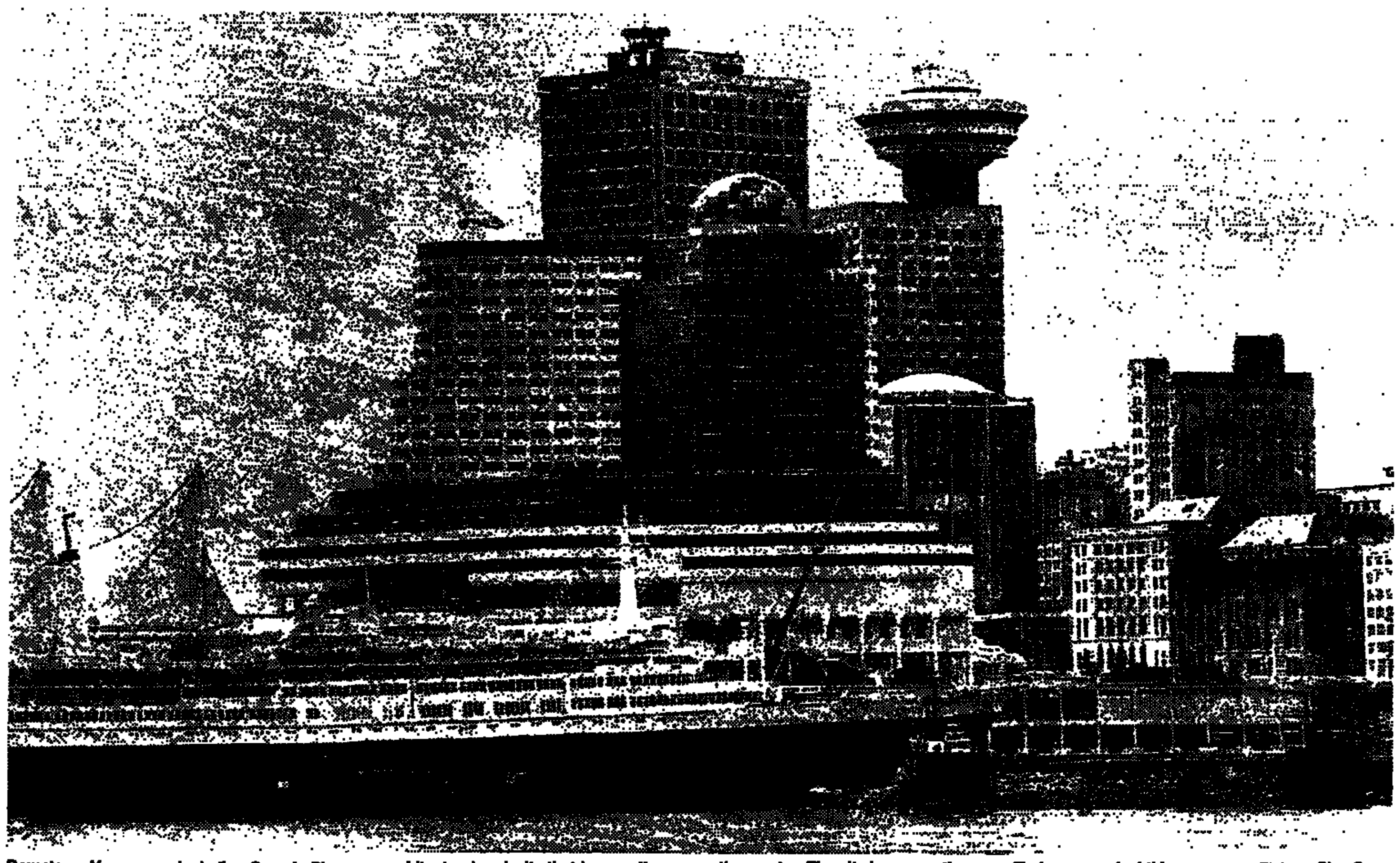
Canada and Mexico signed an earlier pact in 1990 to strengthen trade and investment ties. This has already engendered a number of agreements in areas ranging from forestry and agriculture to taxation and drugs. Canadian exports to Mexico are expected to approach the $1bn level this year, from about $780m a year ago. Moreover, the two countries are now negotiating a bilateral agreement on science and technology.

A recent study by accountants Ernst & Young found that Canada and Mexico receive a disproportionate amount of US projects in the fabricated metal, plastic and furniture sectors, compared with the rest of the world. In addition, food and paper industry investments tend to gravitate towards Canada; while Mexico attracts a disproportionate share of electrical, transportation equipment, clothing and glass projects.

"We expect these investments to increase at an even faster pace if the Nafta is enacted," says James Buchanan, trade consultant at Ernst & Young.

If Nafta survives, next year may see the start of a common market with a population of 357m and a gross domestic product of $6,400bn. This compares with the European Community's population of 345m and gross domestic product of $3,000bn.

Clearly, Nafta, if ratified, is likely have a profound impact on the way business is done in the region.



Downtown Vancouver, including Canada Place, an architectural curiosity that houses the convention centre. The city is among those profiled on page 4 of this survey  Picture: Glyn Genin

## Bargains in the short term

If the US Congress ratifies the North American Free Trade Agreement, creating a common market of 357m people, it will have a profound impact on the way business is done, writes **Karen Zagor**

**IN THIS 4-PAGE SURVEY**

## Hotels: the choice is widening, says Karen Zagor

# Cost-cutting by stealth

TRAVELLERS returning to the US after several years' absence are unlikely to notice that some 70 per cent of hotels could now be considered financially distressed.

Nor are they likely to observe that financial institutions have become America's biggest hotel owners.

What they are likely to notice is the wider choice of accommodation, the bargains and the eagerness of hoteliers to please patrons.

There is enough choice to satisfy every taste and budget, thanks largely to a glut of hotel rooms – the legacy of the booming 1980s when the industry expanded into the arms of a recession. In Chicago alone, 5,000 of the city's 23,000 downtown rooms were added after 1987. As a result of this untimely expansion, room-rate increases have lagged inflation since 1987.

In their efforts to survive this painful period, hotel chains have tried to make their cost-cutting measures invisible to their customers. Hyatt, for example, trimmed 10 per cent from its annual bed-linen bills by switching to white sheets from beige. Other cost-saving measures include offering optional bed turn-down service and reducing the number of hand towels.

Other moves have been more visible. In recent years, chains have introduced frequent-stay programmes to cultivate customer loyalty. Many groups also offer weekend packages and off-peak promotions to boost depressed occupancy rates.

For example, the Inter-Continental group is wooing customers with a summer "options" programme. This includes offering a choice of room upgrade to a suite, free overnight parking, a daily credit of $25 towards food and drink, an adjoining room for half the summer rate or 1,000 bonus frequent-flier miles towards American or United Airlines frequent-flier plans.

At the chain's Manhattan hotel, guests will automatically get the bonus airline miles and a $20 discount on Friday and Saturday nights, in addition to a choice of other "options".

Other hotel chains are offering similar lures to attract customers in a competitive environment. Although Coopers & Lybrand, the accountancy firm, has found that more than half the hotels in the US were profitable in 1992, for the firs time since 1989, last year's occupancy rate of about 62 per cent is still significantly below the 68 per cent considered necessary for sustained profitability. Things are even worse in Canada, where last year's average room occupancy was 57 per cent compared with 69 per cent in 1988.

As a result, the type of haggling usually associated with an Arab souk is not unusual at a hotel front desk in North America. Any big company which discovers that it is regularly paying the published "rack" rate for rooms should get a new travel agent. A good travel agent should be able to negotiate a discounted corporate rate ahead of arrival. Even individual travellers without the clout of a big company can often get reduced rates in slower markets just by asking.

The extended-stay segment, catering for travellers who stay five or more days, is one of the few growth areas in the North American hotel market. In the US, the sector had an average occupancy rate of 80 per cent last year. Some chains, such as Marriott's Residence Inns, cater almost exclusively to extended-stay travellers (and families) with rooms that include separate kitchens, bedrooms and living areas. Prices average $75 a night, about $15 higher than the average hotel room.

Consumer Reports gave Residence Inns a top rating in its last hotel survey in 1990, and this year's Zagat survey of US Hotels, Resorts and Spas confirms the endorsement with a room rating for the chain on a par with more expensive hotels. Zagat, which is known for the pithy comments which accompany its ratings on US restaurants and hotels, also recommended Radisson, Guest Quarters, Embassy Suites and Doubletree among the moderately-priced chains.

Among the least expensive chains, Zagat gave higher room ratings to Fairfield Inns, Hampton Inn and La Quinta.

At the top end, the Four Seasons hotel chain has maintained its leading position since the 1990 Consumer Reports survey, with top ratings from Zagat across the board – for rooms, service, dining and public facilities. Ritz-Carlton had similarly high marks, while Loews, Inter-Continental, Westin and Hyatt were all recommended.

Unfortunately, in spite of increasing efforts to please patrons, there are no guarantees of a perfect stay. At some of the more impecunious chains, carpets and furnishing is often threadbare. And a common complaint across the board centres on advance reservations. It is still not unusual to discover at check-in that all traces of a reservation have disappeared from the computer system. In addition, there are often discrepancies between rates quoted by a chain's central reservation system and those offered at the front desk.

For security reasons, rental cars are now often indistinguishable from private vehicles Picture: Tony Andrews

## Patrick Harverson sees new patterns in car rentals

# Special services matter now

THE PRICE war among US rental car companies is over, at least for now. During the past year rates have been rising, and rental companies are now relying more on providing drivers with special services and unusual extras, rather than on competitive pricing, to attract customers.

The main reason for the increase in rental rates is that the big three US auto manufacturers have cut back on the discounts they offer rental companies. This means they now have to pay as much as 25 per cent to 35 per cent more for their new cars.

Although not all of the extra cost has been immediately passed on to the renter, it eventually will. Already, rates have been going up by significant amounts. Hertz has said that its nationwide rates this year are up about 14 per cent on a year ago, while Avis estimates its rates are between 13 per cent and 16 per cent higher than in 1992.

There is some evidence, however, that rates are actually rising faster than that. In Boston, for example, the average of the daily rates for renting midsize cars charged by the big four rental companies (Avis, Alamo, Budget and Hertz) last June was $32.49. This June, the average charge has gone up to $39.98, a 23 per cent hike.

To make matters worse, auto manufacturers have been reducing the number of cars they sell to rental companies, preferring instead to focus on selling to the retail market. Consequently, rental fleets are shrinking, which could leave business and other travellers facing shortages at peak times, especially at busy metropolitan airports.

Additionally, the car manufacturers have changed their policy on buying back cars from rental companies. Seeking to avoid undermining their sales of new cars by flooding the retail market with almost-new ex-rental cars, the manufacturers are now agreeing to buy cars back from the rental companies after six or nine months, instead of as little as four months a year ago.

This change, combined with the fact that rental companies are keeping their cars on the road longer, to offset their higher-purchase costs, means renters are not only paying more for cars now, they are also driving around older models with higher mileage and a greater risk of breakdown.

> Companies are keeping cars on the road longer, to offset higher costs

Despite the higher rates and older models, renting a car in the US is still inexpensive compared with other countries, thanks to the relatively low purchase cost of cars, lower maintenance costs, cheaper petrol and, above all, intense competition between the main rental companies.

While rates may be going up, competition remains strong in areas other than price – no more so than when it comes to the quality and speed of service to renters, especially business travellers. Rental companies are focusing their efforts on reducing the time it takes to provide a car to a customer who has just disembarked from a plane.

Most now have efficient airport service counters, where cars can be picked up relatively quickly; but the best solution for the business traveller in a hurry is to sign up for one of the companies' special membership cards or clubs. These allow members to walk straight from the airport to their vehicle without having to queue up at a busy counter.

These special memberships are less of a bonus when it comes to dropping-off rental cars at the airport, because at most big airports companies have systems that allow the renter to leave the car, pay for it, and head for the terminal, all in a few minutes.

At the high end of the market, rental companies are also competing to offer business travellers special extras, such as car phones or mobile cellular phones. There has even been talk of providing renters with computerised maps to help them find their way around unfamiliar cities.

The issue of providing renters with reliable directions and maps of the local area is an important one, in the wake of recent highly-publicised incidents. The Miami area, for example, has been the scene of a number of attacks on people, especially foreigners, who had rented their cars at airports but had subsequently lost their way in high-crime neighbourhoods. There is a real concern now that criminals are preying specifically on people in rental cars.

To counter this threat, most US rental companies are beginning to strip their cars of number plates and other signs that identify the car as a rented vehicle. Last month, Hertz said it had embarked on a programme aimed at "turning the rental car from one that's identifiable into one that's virtually unidentifiable".

Also, companies have stepped up warnings to customers about where they should, and should not, drive when they leave the airport; and have introduced clearer road directions for renters. Much of this advice is now available in safety brochures provided by rental companies at big city locations.

The New York to Washington Metroliner has long competed with the airlines Picture: Glyn Genin

## Transport: Karen Zagor explains rail's recovery

# Airlines' problems fail to deter newcomers

*"We travel by plane, oftener than not, and yet the spirit of our country seems to have remained a country of railroads" – John Cheever.*

IF THE quintessential American Wasp author of *Bullet Park* were alive today, he might be gratified to see how literally the spirit of the railroads has been resuscitated in the US, after nearly being smothered by the predominance of airplanes.

Thanks to the vast distances between cities in North America, air travel began to take over from railroads as the main means of transport during the 1960s.

In recent years, a business traveller would be almost as likely to ride a camel to a meeting as travel by train in most parts of the US, Canada and Mexico. But with the advent of high-speed trains, there are signs of a rail revival, at least in the US.

On the popular New York City to Washington DC route, a high-speed Metroliner train has competed successfully with the airlines for many years. Although the journey by Metroliner takes just under three hours and is considerably slower than the half-hour flight, it is popular with business travellers who enjoy circumventing airport traffic.

In addition, trains are rarely delayed by bad weather. According to Amtrak, which runs the passenger rail service, the company accounts for 45 per cent of all rail and air passengers travelling from New York to Washington.

Amtrak is now testing trains for a high-speed service from Boston to New York. By 1997, it hopes to have trains operating at 150mph along the Boston to Washington corridor. These would cut nearly two hours from the standard Boston to New York service, and shave about 40 minutes from the regular Metroliner time.

Extensive rail projects have sprung up in many metropolitan areas, including Los Angeles. In Texas, plans for a high-speed rail service are on the drawing boards, but opposition from local airlines, fearful that they will lose too many customers to the trains, may ultimately kill the project.

For the moment, competition from the railroads is the least of the airline industry's worries. The combined forces of high fuel costs, fewer travellers and the recent series of crippling fare wars have left the industry badly bruised and deeply in the red. In the past three years, the biggest US airlines lost more than $10bn.

Some of the biggest US carriers, including Pan Am, Eastern, Midway and Braniff, have not survived. TWA is a shadow of its former self, and Continental has only recently emerged from Chapter 11 bankruptcy protection. Instead of the Pan Am and Eastern shuttle from New York's La Guardia to Washington's National airport, passengers must now look to USAir and Delta, although planes still depart every half-hour with every passenger guaranteed a seat.

Yet tough times have not discouraged newcomers from entering the fray. They include: Kiwi, which recently started flying from New York's Newark airport; Reno Air (which operates out of Reno, Nevada); Morris Air, which flies from Salt Lake City; Private Jet, which is based in Atlanta; and Ultrair, a Houston-based carrier which offers up-scale services at full-fare economy prices.

Although the airlines have suffered tremendously from their own fare wars, there are no signs that the days of the cut-price ticket have ended. Indeed, before the official start of summer this year, Northwest Airlines launched a bout of price-slashing by offering discounts of up to 33 per cent on domestic flights.

The terms and conditions of these deeply-discounted fares can make it difficult for a business traveller to take advantage of them, especially since most discounts require advance purchase and a Saturday night stay.

Some carriers offer corporate discounts to big companies. Others, such as Air Canada, offer special discounts for business meetings and conventions on full-fare economy and business class fares when companies make bookings for at least 10 people travelling to the same destination.

If working to a tight schedule, it is worth checking with the Department of Transportation, which publishes detailed information of on-time performances for regularly scheduled flights. For example, Delta's flight from Miami to Atlanta at 2:15pm arrived 27 minutes late more than 80 per cent of the time in April. Travel agents and airline ticketing offices also have access to on-time performance for specific flights, thanks to the advent of computerised reservation systems.

A travel agent should also provide information on the type of aircraft being flown. This is essential for those who would rather walk barefoot across the country than get on a turbo prop plane. Many of the smaller cities and towns in the US and Canada are connected to larger cities by regional airlines. The planes used by these smaller carriers are most accurately described by their former name – "scheduled air taxis". Since most regional airlines now share computer codes with the major airlines, a computer might not recognise the difference between American Airlines, which has a fleet of jets, and American Eagle, which uses turbo props.

Travellers who plan to work on portable computers during a flight should note that many airlines now ban laptops, as well as compact-disc players and cellular telephones during take-off and landing. Some, responding to concerns about possible interference with navigation equipment, have banned the use of electronic devices altogether on flights.

There are no such restrictions on trains. Yet, regardless of the "spirit of the country" and the revival of train service in the US, until a train is invented that can cover about 3,000 miles in under six hours, most business people will continue to do most of their travelling in North America on a plane.

## Barbara Harrison on women travellers

# The industry takes notice

AS INCREASING numbers of women occupy executive suites in companies around the world, more are travelling for the job. But until recently, their special needs and preferences had largely been ignored by the travel industry.

Once upon a time in hotels, it was hard to find a skirt-hanger. After-shave was more likely to be provided than body moisturiser. And dining alone meant being shunted to a table no one else would take. That has begun to change.

Sheer numbers have obliged the travel industry to take notice of women. Over the last two decades, women have become the fastest growing segment of the travelling public.

In 1970, they accounted for just 1 per cent of domestic US business travel. Since then the figure has shot up to 39 per cent. By the end of the 1990s, the American Hotel & Motel Association (AHMA) expects women to account for half of all US business travel.

Although surveys show that women pay attention to such amenities in hotels as the quality of toiletry products, soaps, shampoos, their principal concern is safety.

The National Organisation for Women warns that a rape is reported every three minutes in the US and that, while they should not feel inhibited about travel to America, foreign women need to be aware of such violence.

Security comes in many forms. Foremost is feeling safe in the hotel itself. Many high-quality establishments, such as the Ritz-Carlton, have private floors, which are accessible only with a pass-key.

Barring that option, many women prefer to be in rooms on upper floors, to minimise unwanted encounters with passers-by, which are more frequent on lower floors. They also tend to have a preference for rooms near lifts, to avoid long walks down empty hallways.

Hotels staffs are now also being trained to be security conscious, particularly regarding women. Holiday Inn Worldwide, for instance, instructs its front-desk staff never to announce a room number, so that anyone nearby shall not overhear it. Nor will they give room numbers over the telephone.

Many hotels no longer put room numbers on their keys. In addition, the AHMA suggests that its members put peepholes on room doors, so that guests can see who is knocking. But it is considered wiser to check with the front desk before allowing anyone to enter the room.

Women also like to avoid lonely garages and car parks. It is helpful for a hotel to have valet parking.

One important piece of advice from travel professionals to women on the road is that they dress appropriately, but as inconspicuously as possible. Handbags should always be carried close to the body. And when in doubt about potentially dangerous areas in a strange city, they should consult the hotel concierge.

Eating out in an unfamiliar place is always a problem for business travellers, who are usually pressed for time and unable to make a leisurely hunt for an interesting restaurant. The solution preferred by most women is room service. This saves them from the awkwardness of arriving unescorted at a restaurant and being treated ungraciously, which is too often still the case. Women also tend to stay away from hotel bars, to avoid unwanted advances.

Those who must drive for their business trips face special safety problems. Carjacking and other attacks on women travellers in rental cars have become common in the US.

It is crucial to keep car doors locked at all times and be certain of directions. If you are lost or having mechanical trouble, go to a well-lit public place to ask for help.

Despite their special concerns about security, women "basically don't want to be treated differently," said a spokesperson for Holiday Inn Worldwide. According to the company's surveys of travellers, women enjoy their business travel and do not want hotel staffs to be over attentive.

Their top choices for amenities are in fact the same as those of their male colleagues: a coffee-pot in the room, a comfortable lounge chair and a daily complimentary newspaper at the door.

## Barbara Harrison offers some tips for a happier and safer visit

# Americans may also be provincials

WHILE COMFORTABLY ensconced at the home office, be it London, Bonn, Tokyo or Paris, and looking at a map of North America, your business travel can look easy. Don't be fooled. But here are some tips to bear in mind to make it less vexing and safer.

■ First, remember that the distances are always bigger than you think. If you believe that Minneapolis is just up the road from Chicago, think again. It is roughly a 1¼-hour flight, and because there is less airline competition on the route the fare probably costs more than many transatlantic flights. And while Austin, Texas looks like just a short drive from Houston, it is 3¼ hours of solid freeway.

■ Be prepared for a language barrier in the United States. Americans tend to believe that everyone should speak English and, outside major cities, relatively few speak a foreign language. Moreover, American regional accents can confound even English speakers.

However, Spanish is widely spoken in the US South-west and Florida; and, of course, French rules in Quebec. AT&T offers a special language line with a toll-free "800" number, which can be used for third-party interpreting by phone or translation of documents.

■ Don't expect Americans to be cosmopolitan. Although the US is a world power, Americans can be shockingly provincial. As Joe Brancatelli, the executive editor of *Frequent Flyer* magazine, says: "Good luck finding the World Service in St Louis."

Even at major hotels, staff may only vaguely know what the BBC is, and will not have the foggiest idea about its frequencies. American insularity can also make a mess of your trip. If in Atlanta, for example, and in need of sending a fax to Rome, be careful that it doesn't land in the small north-western Georgia city of the same name.

■ Regarding travel arrangements, try to plan carefully, and make them in advance if you don't want to break your company's travel budget. Reasonable air fares can be had with some advance planning. But if your head office suddenly wants you to grab the next flight to Vancouver or Miami, they must be prepared for a huge bill. According to a 1992 survey of *Frequent Flyer* readers, most of whom travel for their jobs, some 42 per cent usually used discounted, advance-purchase coach tickets.

> Taxi drivers and waiters expect a minimum 15 per cent tip, and 20 per cent or more would signal appreciation for a good job.

■ Security is always a concern for travellers, but recently in the US it has become a serious issue. The most well known problems were in the Miami area, where several foreign tourists driving rental cars have been killed and attacked.

If you hire a car, be sure to have clear directions and a map of how to arrive at your destination or hotel. Lock your car doors while driving, and do not stop for strangers or cars flashing theirs lights or bumping your fenders.

If you need to stop for directions or for car trouble, go to a well-lighted public place, such as a gasoline station or a store. If you must leave suitcases or briefcases in the car while on the road, place them in the trunk (boot) and lock it.

Also, do not wear expensive jewellery; do not display large amounts of cash or your hotel keys; use the main entrance of your hotel; and never open your room's door to someone unless you have verified with the desk who it is.

■ Bring some type of health insurance certificate for international use. The US health care system is notoriously expensive, and even a brief stay in hospital will mean astronomical bills. A bed at a large hospital costs roughly $1,500 per day. If you should decide to take a holiday while in the US, perhaps extending your business trip, buy a special limited-time policy for travellers. The rate may seem high, but it is worth it.

■ Carry a telephone credit card that is valid in North America. Hotels can tack on a very high surcharge for long-distance calls placed without one.

■ If your plans require travel between New York and Washington or Philadelphia, take the train. It is faster, cheaper and more convenient than flying.

■ Tipping is customary. Taxi drivers and waiters expect a minimum of 15 per cent, and 20 per cent or more would signal appreciation for a good job. Some restaurants include service, however, so be sure to check your bill.

■ Smoking is prohibited in most US and Canadian public places and office buildings. If you smoke, it is best to check on where it is allowed. Most restaurants still have smoking sections, and some hotels divide their rooms into smoking and non-smoking. Smoking is prohibited on all US domestic flights.

■ Try to pack light, and use a carry-on garment bag. If checking luggage, take a cautionary set of underwear, medications if you take them, a toothbrush, personal hygiene items and clean shirt or blouse in your hand luggage. Suitcases are too often lost or delayed.

In late autumn, winter and early spring, going north to south in North America can unfortunately require two sets of clothes, for hot and cold climates.

■ For business services, such as secretarial help, your hotel should be able to assist you with referrals. But for these practical business chores, as well as recommendations for restaurants and hotels, a travel guide-book such as *Birnbaum's United States 1993 for Business Travellers* is useful.

## Business services

# Almost like taking the office with you

INNOVATIONS in cellular communications, microcomputers, and even the old stand-by, the telephone credit card, have made the business traveller's chore of keeping in touch with the office a relatively painless one.

However, despite the invention and mass-marketing of briefcase-sized portable printers and facsimile machines, and the advent of electronic "personal assistants," trying to duplicate the office while on the road can be a headache.

International travellers find that reliable and compatible power sources and data ports for all the electronic gadgetry are not always available. Computer checks, even within North America, slow travellers down at airport security stations. And, the truth be told, the gear is awkward to carry and often lacks the one feature you need in a pinch.

It is often more efficient to hire office services once you've arrived at your destination, provided you have a clear view of what's available ahead of time. In North America, overbuilding has put most business-class hotels in sharp competition for customers, and led them all to provide basics like copy and fax machines in-house.

More elaborate services like typing and meeting planning are also available, for a price, at most full-service hotels. Inquire when arranging accommodation, and be sure to determine what hours the services are available. While convenient, hotel services can be expensive. Simply making a local telephone call from an in-room phone, for example, can add charges of 25 cents to as much as a dollar per call to your bill.

If you are pinching your business budget, try looking beyond the hotel. While there are few nationwide chains, a host of small businesses thrive in every city by providing competitively-priced fax, duplicating, instant printing, typing services and other stand-bys. Look for them in the telephone book Yellow Pages under "office services" or "copying." Many of them will pick-up and deliver to the hotel.

Kinko's Copy Centers has carved out a niche as a nation-wide chain that has 24-hour service at most stores – a boon for time-pressed business travellers. It has 650 stores with locations in all 50 states, as well as Toronto, Vancouver, Waterloo and London, Ontario, in Canada.

In addition to typing, copying, instant printing and faxes, Kinkos offers colour copying, makes overhead transparencies and other presentation materials, has self-service and full-service desk-top publishing, and does packaging and mailing. Many of its stores have rent-by-the hour Apple and IBM-compatible computers with a choice of software. Their toll-free number, 1-800-743-Copy, will help locate the nearest one.

For frequent travellers who require office or conference space, particularly those who prefer not to conduct interviews in their hotel room, a workable choice is to join an airline club. The perks more than compensate for the cost.

American Airlines' Admirals Club, and United Air's Red Carpet Club, for example, rent conference rooms for $25 per hour at all their airport locations. The clubs also let you make local telephone calls free, offer free copying, have fax machines, and even check cashing services.

The clubs are designed to provide sanctuary from the airport frenzy, and most do a good job at this. The Admiral's Club has a $100 initiation fee and a $150 annual membership charge, while the Red Carpet Club is a few dollars more. Nearly every airline, national or regional, that operates in the US offers club services. Ask your travel agent for specifics, including a list of cities where clubs are located.

International travellers may find away-from-office aid is already in their briefcase. American Express has long been known for providing mail drops in faraway cities to card holders. It also has a service centre in the US that can provide telephone help to customers in 60 different languages. For a fee, American Express can arrange office services, meeting planning, and a variety of other assistance to executive cardholders in nearly any North American location.

Laurie Morse

## FT writers profile some of the important cities in which business travellers are likely to find themselves

# Faith renewed in New York

ANY LINGERING notion that New York was mired in terminal recession, that it was a city of past glories and tarnished elegance, vanished this month when the Four Seasons chain opened its grandest creation, the $360m Four Seasons Hotel, on Manhattan's upper east side.

The exterior of the limestone-clad I.M. Pei-designed tower captures the flavour of the Chrysler Building, perhaps Manhattan's finest Art Deco creation. But its interior is thoroughly modernist, with more limestone, back-lit onyx and Dakota Jackson chairs. The Four Seasons, the most expensive hotel ever built in Manhattan, already has achieved "landmark" status. One city magazine went so far as to call it a "love song for New York."

Indeed, foreigners – the Four Seasons company is based in Toronto – and New Yorkers alike seem to be renewing their faith in America's biggest metropolis. Only a year or so ago, when recession still gripped New York, the doomsayers predicted that the city would never recapture its 1980s' wealth, verve and bustle. The wealth may be somewhat depleted, but New York's confidence and energy are staging a credible come-back.

The Four Seasons isn't the only testament to city's rejuvenation after several difficult years. Two hotels opened recently in Chinatown and others, such as the Mercer in SoHo, are on the way.

Many business travellers, especially those with lavish expense accounts, still prefer the carriage trade's old dowagers the Carlyle, the Pierre, the Plaza and the Waldorf-Astoria. But all is not lost for budget-conscious travellers. The Consumer Reports Travel Letter notes bargains and comfort are not mutually exclusive. The Ameritania, the Ramada Hotel Pennsylvania (rated a "best buy") and the Helmsley Windsor offer conveniently located, well-kept rooms for under $200 a night. Discounts often are available.

Other aspects of New York life are also flourishing. Broadway has extended its winning streak, which started with a record year in 1992 with hits such as Guys and Dolls. This year, Kiss of the Spider Woman and Angels in America have both won Tony Awards.

New York's once notorious nightclub scene has also come back from near-death. Until last year, the *Limelight* was the city's only mega-club. Owner Peter Gatien has since opened *USA*, a club housed in Broadway's Minsky theatre with a raunchy Times Square theme, and has relaunched the old *Palladium*. His rivals, the Ballinger brothers, recently opened *Webster Hall*, a multi-level dance hall built in 1889 that was once Al Capone's hangout.

Those who prefer their amusement sweat-free can tour the *Guggenheim Museum*, which has undergone a massive renovation that included the construction of a new wing and a SoHo branch.

Die-hard shoppers will be pleased to find that *Bloomingdale's*, New York's most famous department store, is thriving again after more than two years in bankruptcy, and that *Barneys*, the elegant downtown fashion retailer, will soon unveil an enormous outlet near Central Park.

There were moments during the recession when New York seemed destined to become a "third-rate Babylon", as the sage of Baltimore, H.L. Mencken, once called it. New York may not be booming but its resilient spirit remains.

**Karen Zagor**

# Unease and jasmine in LA

*"Is the City of Angels going to hell?"*

THE QUESTION was asked on the cover of Time magazine in April.

Los Angeles, more accustomed to throwing the spotlight on resident stars than to airing its dirty linen in public, is still reeling from the year of national scrutiny following the worst riots in recent American history.

Tensions have eased considerably in recent months, although many of the underlying social problems remain.

Apart from a few burnt shells of buildings on the outskirts of Beverly Hills, however, visitors to LA are unlikely to see the worst of the damage which was largely confined to the city's poorer areas, such as South Central.

It is easy to overlook the city's problems on a warm spring afternoon with a hint of jasmine in the air, when the smog has been blown from the basin, bringing the surrounding mountains into sharp relief. Los Angeles, at least for most visitors, is awfully close to paradise.

In LA, however, paradise is only accessible by car. The city is building an integrated rail system to relieve the appalling congestion on its streets, but the system is still in its infancy.

All of the major rental agencies are represented at the airport and throughout LA. Car rental rates are reasonable, and bargains are often advertised in local papers.

If the thought of jumping straight into a freeway traffic jam after hours on an international flight does not appeal, most hotels offer airport pick-up, and there are also cabs and shuttle services. The Super Shuttle (*tel 213 775-6600*) is less expensive than a cab, and will drop you straight to the door, but advance reservations are necessary. Visitors who plan to avoid car rental should note that cabs cannot be hailed on the street.

LA is blessed with some of the most luxurious hotels in the country, including the Hotel Bel-Air (*213 472-1211*) and the Four Seasons at Beverly Hills (*310 332-3442*). The famous Beverly Hills Hotel, home of the more famous Polo Lounge, is closed for renovation until 1994.

Downtown, the Biltmore (*213 624-1011*) is a glorious example of Spanish architecture, LA-style. The hotel has been beautifully restored. Other choices include the New Otani Hotel & Garden (*213 629-1200*). For a taste of Hollywood chic, try the Chateau Marmont (*213 656-1010*).

Restaurants abound in the shame, but it would be a crime to visit Los Angeles without sampling its version of Mexican cuisine. Locals recommend The Border Grill, Taxco, Casablanca and Casa Carnitas.

**Karen Zagor**

In Toronto, one of North America's most pleasant cities, the streets are clean and public transport is efficient

Picture: Tony Andrews

# Added value in Toronto

THE UPSIDE of suffering an unexpectedly long and deep recession is that Canada's biggest city now offers the business traveller far better value for money than it did in the late 1980s.

Taxis are easier to find, and drivers will often negotiate fares for long trips, such as to the airport. Queues for restaurant tables have noticeably shortened. Prices for hotel rooms, meals and rental cars have barely moved over the past two years.

Some foreign visitors will also find that their currency goes a lot further, with the Canadian dollar now 12 per cent lower against the US dollar than it was in 1991.

Toronto remains one of North America's more pleasant cities. The streets are clean, and public transport efficient. Torontonians are not as friendly as New Yorkers at their best, and they are invariably more polite than New Yorkers at their worst.

The crime rate is low; women have little to fear on the streets, even after sunset. Downtown hotels are within a short walk of Lake Ontario. Two, the Westin Harbour Castle (*tel 869-1600*) and the Radisson Plaza (*203-3333*), are on the waterfront.

Downtown Toronto has two new attractions for the visitor with a couple of hours to spare. The refurbished Ontario Art Gallery, now one of the 10 biggest in North America, opened earlier this year to enthusiastic reviews. For an insight into another side of Canadian culture, the ice hockey Hall of Fame, located in a former Bank of Montreal building in the centre of the financial district, is worth a visit.

The best hotel bargains are over weekends (which usually include Friday and Sunday nights). A room at the King Edward Hotel, which is a member of the Forte chain (*tel 863-9700*), is priced at C$199 a night (C$183 for corporate accounts). The rate drops to C$150 on weekends.

The Camberley Court Hotel, located in one of the financial district's office towers (*tel 947-9025*), charges C$170 on weeknights, and C$120 at weekends.

One of Toronto's joys is the plethora of ethnic restaurants. A popular, moderately-priced Italian choice is Giovanna Trattoria (*tel 538-2098*, dinner only). For Thai food in the downtown area, try Golden Thai (*868-6668*).

More elegant (and expensive) restaurants include Splendido (*929-7788*), Scaramouche (*961-8011*), Prego della Piazza (*920-9900*) and Truffles at the Four Seasons Hotel (*964-0411*).

Budget-conscious travellers would be well-advised not to eat breakfast in the hotel. Muffin and bagel shops abound in the subterranean shopping malls which criss-cross the financial district. A popular choice for a heartier start to the day is Movenpick's self-service Marché (*366-8986*).

Travelling to and from Toronto is also more relaxing these days than it used to be. The airport, whose spacious third terminal opened just as the recession hit, is seldom crowded.

In their eagerness to please, Canada's two main airlines, Air Canada and Canadian Airlines International, frequently upgrade economy passengers to business class. Don't hesitate to ask.

**Bernard Simon**

# Be patient and have fun

**Damian Fraser advises visitors to take Mexico City on its own terms**

THE LARGEST, oldest, probably most chaotic, and certainly most polluted place in North America is Mexico City. The business, political and cultural capital of Mexico accounts for 38 per cent of the country's gross domestic product, some 30,000 industries, and is home to around 15.3m Mexicans.

Mexico City has now become a magnet for foreign businessmen, with the country having torn down trade barriers some seven years ago.

Unfortunately its infrastructure has not improved to meet the flood of new businessmen. It has just one, over-stretched airport, a handful of overbooked hotels, and at most a dozen top-class restaurants. Mexican telephones are terrible; and only a very brave, or over-confident, foreigner would rent a car and try to find his way around the sprawling capital.

Despite growing economic integration between Mexico and the US, Mexican business customs also remain sharply different from those in the US. Many Mexicans are suspicious of the telephone, which means meetings have to be scheduled even when a phone call would suffice. Punctuality and conciseness are not national characteristics.

But for the foreigner willing to put up with a few cultural differences, business can be rewarding and fun. Mexicans are generous, good-humoured and like to mix business with pleasure (and vice versa), so meetings can easily turn into lunches and dinners, or weekends, and contacts into friends.

The businessman invariably starts off at the chaotic international airport, unless he has his own airplane, in which case he will have to land some way away, at Toluca. Hundreds of porters and freelance taxi drivers will be ready to help the newly arrived, but the best advice is to head straight for the official taxi booths and buy a pre-paid ticket for the government-controlled taxi service.

There are no luxury hotels in Mexico City, though several are being built. The Camino Real, in the smart district of Polanco, is probably the most fashionable.

If patience is not your virtue, the Japanese-owned and decorated Hotel Nikko, also in Polanco, the brand new and garish Marquis Reforma (with the best gymnasium) or the Galeria Plaza, both in the busy Pink Zone, are a little more efficient, if a bit dull.

Setting up appointments in Mexico can be trying, as working hours vary from office to office, and sometimes within offices. Some companies in the private sector (Cifra) open at 8.30am and close at 5.30pm, taking an hour off for lunch. Others, such as the government, open at (roughly) 10am, take three hours for lunch between 3 and 6pm, and work to 9pm or later. Many more, like Telmex, the telephone monopoly, seem to have half their staff working on private sector hours, and another half on government hours.

To make matters worse, many executives and government officials have several offices dotted around town, and practically all have scores of secretaries, personal assistants, advisers, and heads of advisers, to screen them from unwelcome advances.

Try to make your call before 11.30am – after that it may be too late, as the day has taken on its own logic. And remember that, if you have no luck in getting through, it's probably because you're not wanted. When they want to say yes, Mexican businessmen and government officials can be quite as efficient as their US counterparts, or more so. But if they want to say no, many prefer to say nothing.

The first appointment is breakfast, which could start any time between 8.00 and 9.30am. Try your hardest to make the booking in your hotel. Since lunch is so long, breakfast is recommended, if you don't think the conversation will or should last two hours or more. Breakfast is heavy and, like everything in Mexico, comes with spicy sauces, so beware.

After breakfast, appointments start. If you mind being late, don't try and schedule more than one every other hour; if you don't mind about lateness, schedule as many appointments as you can, and see how the day evolves.

Lunch can start at any time between 2.00 and 3.30pm, and will go on for a couple of hours or more, though, as with a number of Mexican habits, a growing number of Americanised executives are cutting it short. Best restaurants include the pricey Champs Elysées (politicians) and the more relaxed Bellinghuasen in the Pink Zone; Isadora (business types) and Estoril (business types and politicians), in Polanco; and San Angel Inn, in the south (tourists).

If you have had something to drink, and if you head feels dizzy, it's probably because of altitude, rather than the ubiquitous yellow smog that covers the city in winter months. Still, doctors warn against vigorous exercise when the pollution count reaches dangerous levels, as it nearly always does.

# Rain and work in Vancouver

VANCOUVER is a city of water and mountains, where the breathtaking views on a sunny day can steal a visitor's heart forever.

It could be for just that reason that it rains most days in the city. Residents say the "permagrey" weather allows them to get some work done in this relentlessly beautiful outdoor metropolis.

Bring an umbrella, but expect more moderate temperatures than interior regions at similar latitudes. Vancouver's coastal positioning makes it a jumping-off point for ferries to the island cities of Victoria and Nanaimo, a host of smaller ports, and Alaska.

Vancouver International Airport is located 8 miles south of the city, and is served by most of the world's major airlines. The airport is small enough to be navigated simply, with green-jacketed volunteers on hand to answer travellers' inquiries. Car rentals are available, but if your business is mostly downtown, consider leaving the car behind.

A cab ride downtown costs about $20, while a less-expensive alternative is is the Airport Express bus. It runs regularly and serves the major downtown hotels. (Buses from the airport will also whisk a visitor to Whistler, about three hours north of the city on the aptly-named Sea-to-Sky highway.

Whistler is a world-class mountain resort with conference facilities, a golf course and skiing nearly year-round.)

Public transit is clean and efficient, offering choices of the automated SkyTrain, the SeaBus, which ferries commuters to north and west sections of the city, and land-bound but pleasant buses. Free transit guides are available and worth asking for.

Vancouver's downtown is compact, with its trade and convention centre housed in Canada Place, a be-sailed architectural curiosity which sits on a peninsula in Burrard Inlet. It houses the Japanese-owned Pan Pacific Hotel.

The Waterfront Center hotel, built in 1991, is just across the street. For vintage charm, try the Hotel Georgia, in the heart of downtown, or the Hotel Vancouver. The Sheraton, Ramada and Holiday Inn hotel chains offer well-located, more moderately-priced rooms, often with great mountain views. For night-life, try strolling down Robson Street, a lively mix of coffee houses, galleries, shops and open-air markets. The city's Asian cultures are visible everywhere, but Chinatown offers delightfully varied cuisines. Gastown, near the juncture of Cambie and Water Streets, also boasts trendy restaurants and cafes.

**Laurie Morse**

# Atlanta draws relocators

ATLANTA, THE American South's business capital, seems within reach of its long-held goal: to become an international city. It is the site for the 1996 Olympic Games, and it hopes that the occasion will finally bring it world attention and status.

The city is busy gearing up for the Games, which will bring thousands of international visitors and have an overall economic impact of more than $3.5bn.

Each year, 2 million foreign visitors already pass through Atlanta's Hartsfield Airport, one of the world's largest and busiest. It is also a top US convention city, hosting such major trade shows as "The Super Show" for sporting goods manufacturers, which drew 96,000 people last February.

A combination of gentle southern traditions and energetic "Yankee" drive, Atlanta seems in many ways the best of both worlds. Its metropolitan population has swelled to 3m. Although the majority are not Atlanta natives, many quickly acquire the contagious local southern drawl.

While other cities are still struggling to emerge from recession, Atlanta in recent months has registered the strongest job growth in the US. With relatively lower costs of business and living, it has recently drawn big corporate relocations such as United Parcel Service and Holiday Inns, and large non-profit organisation relocations such as the American Red Cross.

Atlanta, the cradle of the US civil rights movement, is also notable for its harmonious racial relations. It was the home of Martin Luther King Jr; and the Martin Luther King Center for the Study of Non-Violence, which houses an important collection of his papers, is there. Mayor Maynard Jackson, who is black, will not seek a fourth term this year, but is likely to be suceeded by another black politician.

The city's amenities are also drawing cards. Nestled in rolling hills with many trees, parks and gardens, Atlanta is a physically attractive place. Although visitors can find traditional southern cooking, there is also African, Vietnamese, Cuban, Indian and Italian fare, among others. Golf, tennis and other recreational activities are easily accessible within the city.

**Barbara Harrison**

FINANCIAL TIMES
# COMPANIES & MARKETS



 Friday June 18 1993

## INSIDE



### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Rises** | | | |
| BMW (Br) | 488.5 | + | 7.5 | Docks de France | 498 | + | 17 |
| Klockner Werke | 63.5 | + | 2.6 | UFB Locabail | 309 | + | 17 |
| Rosenthal | 269 | + | 6.5 | **Falls** | | | |
| **Falls** | | | | Bancaire Cie | 499 | – | 18 |
| Asko | 651 | – | 15 | CGIP | 1123 | – | 34 |
| Bil. & Berger | 880 | – | 21 | Havas | 414.1 | – | 11.4 |
| GEHE | 306 | – | 25.7 | Saint Gobain | 476.7 | – | 12.1 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Pepsico | 36¾ | + | ¼ | Hitachi Sales | 670 | + | 28 |
| **Falls** | | | | Hitachi Fujikoshi | 494 | + | 18 |
| AMR | 61⅞ | – | 4¾ | Okuma Corp | 845 | + | 35 |
| Adobe Systems | 65¼ | – | 3¼ | **Falls** | | | |
| Digital Equipmnt | 41 | – | 1⅛ | Daishowa Paper | 1770 | – | 140 |
| Hewlett-Packard | 90¾ | – | 3 | Fujita Kanko | 1910 | – | 140 |
| USAir | 16¼ | – | ¾ | Nihon Parker | 781 | – | 44 |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | Tadpole Tech | 321 | + | 14 |
| **Rises** | | | | Trace Comp | 50 | + | 5 |
| AAH | 517 | + | 14 | VTR | 63 | + | 6 |
| Barlo | 68 | + | 6 | **Falls** | | | |
| Benson Crisps | 78 | + | 8 | Chloride | 16 | – | 2¼ |
| Bradstock | 137 | + | 8 | Clarkson (H) | 90 | – | 5 |
| Clayform Props | 37 | + | 4 | GEI Intl | 78 | – | 4 |
| Copymore | 56 | + | 8 | Greenway | 88 | – | 4 |
| Hardy Oil | 168 | + | 6 | Lucas Inds | 131 | – | 5 |
| Hunters Armley | 148 | + | 6 | Regalian Props | 19¾ | – | 3¼ |
| Kewill Systems | 169 | + | 7 | Severn Trent | 483 | – | 13 |
| Logica | 265 | + | 13 | Victaulic | 253 | – | 62 |
| London Intl | 188 | + | 10 | | | | |
| Oceana Cons | 67 | + | 17 | | | | |
| Shoprite | 150 | + | 10 | | | | |

# Renault and Volvo discuss merger terms

**By David Buchan in Paris and Hugh Carnegy in Stockholm**

INTENSIVE talks are under way between Renault, the state-owned French car and truckmaker, and Volvo of Sweden on turning their three-year old alliance into a merger, it emerged yesterday.

The negotiations have been accelerated by the new French government's privatisation policy and the resolution earlier this month of an 18-month dispute between Volvo and the Swedish government over the future of Procordia, a drugs and food group jointly controlled by Volvo and the state.

"These are the two reasons why things can move ahead. Some kind of merger is what the whole thing is about, but it is impossible to say when a conclusion will be reached," said one official.

The companies and the French finance ministry yesterday refused public comment on a report in Libération, the French newspaper, that the French finance and industry ministries had given their agreement in principle to the structure of a merger.

But a Renault spokesman said: "We have always said we want to work ever closer with Volvo, with a possible merger one day."

According to Libération, Renault and Volvo would form a joint holding company, which in turn would take 55 per cent of a publicly quoted Renault-Volvo manufacturing company.

The rest of the latter joint company's equity would be held directly by AB Volvo and a new company, Renault Investissement.

At present, Renault holds 8 per cent of Volvo and Volvo has 20 per cent of Renualt, and both companies have cross-holdings in their respective car and truck divisions.

Renault's refusal yesterday to comment on the report was in marked contrast to the its repeated flat denials of reports from Italy that it was preparing to take a 40 per cent stake in Fiat.

Renault is on the list of 21 companies which the Balladur government plans to privatise but is unlikely to be the first to be sold off this autumn.

A finance ministry official said earlier this week that the question of Renault's capital structure had to be settled.

The French and Swedish groups already make some 20 per cent of their total annual purchases of FFr85bn ($15bn) together, in order to get cheaper prices and better quality from their suppliers, and they plan to increase this percentage of joint purchases.

A merger would meet some political objections in Sweden where Volvo is a powerful symbol of the country's industrial independence.

# Microsoft draws back from risky diversification

**By Alan Cane in London**

MICROSOFT, the world's largest personal computer software supplier, has taken a strategically critical decision to remain a developer of advanced software, rather than diversifying into support services.

The decision is expected to reassure investors concerned that the US group's profitability would be damaged by an excursion into a complex area where it has little expertise.

According to Mr John Leftwich, director of marketing for Microsoft UK, the decision to stick to "core competency" in developing software means the company is protecting itself against having to provide potentially unprofitable support, while opening the door to specialist service companies.

Microsoft will rely on alliances with distributors, dealers and consultancies to provide support and services. For customers in the UK finance sector, this might involve computing services companies such as Hoskyns or ACT.

Yesterday, in the first of a series of measures paving the way for these new relationships, Microsoft announced that from July 1 it will abandon suggested retail prices for its software products in Europe while standardising terms and conditions. This will enable customers to sign pan-European contracts more easily.

The decision to abandon suggested retail prices is unlikely to result in price changes for customers. Most software packages are already heavily discounted by dealers and retailers.

Microsoft competes in most areas of the personal computer software market, but its success is chiefly due to the MS/DOS and Windows operating systems which are standard on virtually all IBM-style personal computers.

This year it announced a new operating system called Windows NT designed to run on networks of PCs rather than stand-alone systems.

Corporate customers are increasingly developing PC networks for new applications, arguing they are less expensive than mainframe computers.

Windows NT, however, is a large piece of software, bigger than some mainframe operating systems, and it requires the kind of support typically provided by large computer companies such as IBM or Digital Equipment.

# BAe reorganises to protect dividends

**By Bernard Gray in London**

BRITISH AEROSPACE is implementing a reorganisation of its businesses that will protect its ability to pay dividends and give greater scope for joint ventures.

If the necessary banking approvals are received, BAe's operating businesses will be put into subsidiary companies and BAe plc will become an industrial holding company. The changes are set to take effect from July 1.

The move will protect BAe's ability to pay dividends by sheltering the company's reserves from losses in operating subsidiaries. Last September, BAe was forced to apply to the courts for a capital reduction to allow it to continue to pay dividends because losses in its regional jet business left it with insufficient reserves.

BAe (Operations) Ltd will be the largest subsidiary and will contain the defence, Airbus and aero-structures manufacturing businesses.

The Jetstream aircraft operations and Dynamics missiles division will go into separate subsidiaries, making it easier for joint venture partners to be found for these businesses.

BAe intends to merge its missiles operations with the French company Matra. The company is also thought to be talking to several overseas regional airliner manufacturers about possible tie-ups for the Jetstream commuter and regional turboprop business which has been consolidated into one manufacturing site.

The reorganisation was being done in a tax-efficient way, according to BAe. The company generated significant tax losses when it wrote off £1bn ($1.5bn) against its regional jet business last September.

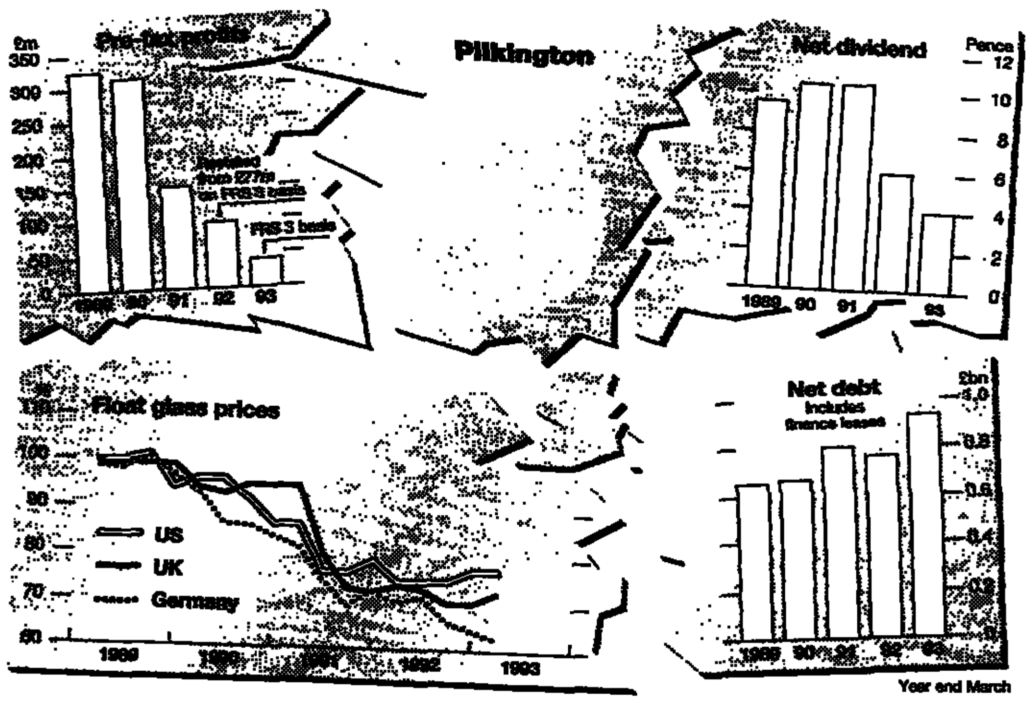
Banking approvals may be required for the reorganisation, which BAe says will not affect the security of the banks or of employees.

When BAe was originally vested in 1978 all of its activities were within the parent company, BAe plc. Acquisitions such as Rover, Royal Ordnance and Ballast Nedam under the leadership of Professor Sir Roland Smith created some subsidiaries.

Lex, Page 16; Details, Page 22

**Maggie Urry** reports on the fitness regime of UK glassmaker

# Pilkington hopes for a clear recovery




THE flow of news from Pilkington has been almost unremittingly bad since the markets it supplies went into recession in 1990. For four years profits have fallen, and last week the dividend was cut for only the second time in the UK glassmaker's stock market history.

But Pilkington, the world's leading glass producer, is not alone in its troubles. Mr Luc Willame, chief executive of Glaverbel, the Belgian glass group controlled by Asahi Glass of Japan, said last month that prospects for 1993 "are frankly bad" as he predicted first-half losses.

Even so, the stock market has scented recovery at Pilkington. Its share price has almost doubled from a low of 70p last October to close at 128p yesterday. While last week's news of another profit fall and dividend cut dampened the price, some feel the turning point has come. One analyst said: "It's all so awful, it can only improve."

But can Pilkington make the most of the upturn, having been handicapped in the downturn, many would argue, by excess fat, over-investment and unhappy diversification?

Pilkington suffers the fate of any large, continuous process industry with a product that is traded internationally. Plant built at huge cost must run as near full capacity as possible. In the upswing of the business cycle volumes rise, capacity is filled, prices increase sharply and operators are tempted to build new plants. Then in the downswing, that new capacity comes on stream just as volumes weaken and a fight for market share leads to sharp price reductions.

Pilkington has seen it all before. In the early 1980s it made losses in the UK as the European glass market fell into disarray, amid overcapacity created by newcomers from the US and Japan and a vicious price war.

The market recovered and by the second half of the 1980s prices shot up. The industry responded by expanding, capacity rose again and prices are back to their 1982 level.

Mr Roger Leverton, Pilkington's chief executive since last July, says: "A significant part of the reduction in profits from over £300m ($450m) is market driven. Given the overcapacity and price erosion, it's amazing we made a profit at all."

Pilkington would have fared better had it not spent £1bn on four new float glass lines between 1987 and 1992, and £361m on diversifying into the US contact lens market in 1987 – a deal done in the wake of BTR's failed £1.2bn bid.

Shareholders who turned down BTR's bid, launched late in 1986 and equivalent to 180.6p a share, have seen the price fall from more than 350p before the October 1987 crash, and suffered a 60 per cent cut in the dividend over the last two years.

Mr Leverton agrees that, in hindsight, the timing of its big investments was not propitious. They have yet to make anything like a proper return. Without them profits would be higher today, if only because the interest charge, a crippling £75.7m in 1992-93, would be lower.

But the core business was not fighting fit on the way into the downturn. Costs were too high and working capital control lax. Those problems have been tackled, staff numbers cut, productivity increased and working capital squeezed.

Mr Leverton says: "When I arrived I did an exercise comparing Pilkington to the competition. Pilkington was fairly comparable at the prime margin level [after raw materials and labour, but before overheads] but it was clear there were too many overheads. We had to drive costs out."

After a year's work, he says: "I believe that today we are more comparable to PPG Industries and St Gobain [leading US and French glassmakers] on overheads."

Pilkington might now look forward to economic recovery. The US market is beginning to pick up and the UK is seeing some revival with an 8 per cent price increase imposed in February.

But mainland Europe is the black spot. Glass consumption and prices in Germany, Pilkington's biggest market, are falling fast. Pilkington's main customer there is the housing industry, still buoyed by German reunification, and it had hoped to avoid the worst of recession. That turned out to be another misjudgment.

A reduction in the automotive sector's glass purchases this year is hitting hard. Price falls are spreading through continental Europe and could even reverse the better outlook in the UK.

Of the hoped-for recovery, Mr Leverton says, "a certain amount depends on the market, but a lot of things are in our hands". There is one happy legacy of the late 1980s splurge of investment. "Because of that high level of investment, we must have the most modern plants in the industry. We have the opportunity to be the lowest cost producer."

While continuing the drive to cut costs, Pilkington is also going on the offensive. In April it completed the £95m purchase of Heywood Williams glass distribution business, aiming to protect and expand its UK market share.

Mr Leverton also means to tackle the balance sheet, aiming to cut gearing from near 90 per cent to 40 per cent.

The sale of the Sola spectacle lens business is expected fairly soon, which might raise £200m. Other disposals are planned.

While Pilkington has promised there will be no rights issue, speculation is that it could sell new shares to Nippon Sheet Glass, the Japanese group which owns 20 per cent of Libbey-Owens-Ford, Pilkington's North American subsidiary.

Stockbrokers are forecasting profits recovering on a more gradual gradient than they fell. The hope is that Pilkington will cover its dividend again by 1995 – helped by a low tax charge once UK profits revive – and perhaps reach £200m pre-tax by 1996.

Some think, though, that the £325m peak will never be regained. "You will never get a combination of glass prices and volumes as crazy as that again," says one broker.

**The liquidators of Efim, the Italian state industrial holding company, are reported to be close to selling SIV, its glassmaking business, for L150bn ($100m) to Pilkington and Techint Finanziaria, controlled by the Argentine-based Rocca family, writes Robert Graham in Rome.**

**Pilkington said last night it had not had any confirmation from the liquidators that its offer, made 50:50 with Techint, had been accepted.**

**SIV, a supplier of glass to the car industry, has turnover close to L550bn but is thought to be loss-making.**

# Exchanges compete for Mid 250 derivatives

**By Tracy Corrigan in London**

TWO London-based futures exchanges are competing for the right to trade futures and options contracts on the FT-SE Mid 250 index, made up of the 250 UK stocks which rank below the FT-SE 100 index by market value.

The London International Financial Futures & Options Exchange (Liffe) and OMLX, the London-based arm of Sweden's OM Group, are both expected to submit bids to the London Stock Exchange for the licence to trade these new instruments in the next few months.

Interest in the Mid 250 index, created last October, has accelerated because it has substantially outperformed the FT-SE 100 index of larger companies over the last six months.

The creation of the Mid 250 index futures would allow fund managers to shift their exposure between different parts of the market – a process known as asset allocation – more easily.

Smith New Court, the integrated securities house, already quotes over-the-counter futures on the Mid 250 index on Reuters but "overall volume has been disappointing," according to Mr Gerald Freedman, director of derivatives.

OMLX and Liffe are conducting research on the level of demand for Mid 250 index products – in Liffe's case, in conjunction with the London Stock Exchange.

Liffe is the favourite to win the race, since it already trades futures and options on the FT-SE 100 index. However, Mr Lynton Jones, chief executive of OMLX, said OMX Swedish stock index options are more heavily traded than the FT-SE 100 options.

Lively start at Matif, Page 18

# Oil and gas side props Kvaerner at four months

By Hugh Carnegy in Stockholm

KVAERNER, the Norwegian engineering group which recently won two big shipbuilding and offshore platform orders, yesterday announced pre-tax profits ahead at NKr434m ($62m) in the first four months, compared with NKr424m the year previously.

The improvement was due to sharply increased profits in its oil and gas division, which rose to NKr135m from NKr87m, offsetting reverses in shipbuilding, pulping technologies and shipping, and a loss in mechanical engineering. Net earnings per share slipped from NKr8.15 to NKr7.24.

Group sales rose 25 per cent to NKr7.8bn from NKr6.2bn, fuelled by a steep rise in oil and gas division sales, from NKr1.67bn to NKr2.33bn, and the acquisition of the German shipyard Kvaerner Warnow Werft.

Kvaerner, Norway's biggest private company, was buoyed in April by its biggest-ever orders – one worth NKr6.5bn for four liquefied natural gas carriers from Abu Dhabi and a NKr1bn contract for engineering and construction work on a new North Sea gas platform. These lifted orders in the four months to NKr14.02bn from NKr6.54bn in the same period last year. Group order backlog at end-April was NKr33bn.

Kvaerner expects full-year profits to be in line with last year's pre-tax result of NKr932m.

This is in spite of continued weakness in the mechanical engineering division, where losses in the first four months deepened to NKr33m, pulping and shipping. Shipping was in profit only because of a NKr69m unrealised currency gain and a NKr34m contribution from the sale of ships.

● Metsä-Serla, the Finnish forestry group, said yesterday it had increased its share issue launched last week to 3.25m shares from 3m after heavy over-subscription for one of Finland's chief international issues since the country slumped into recession two years ago. The total raised was FM542.75m ($100.5m).

# Prisa confirms plans for UK

By Tom Burns in Madrid

PRISA, the Spanish media group that owns the El Pais newspaper and SER, the leading domestic commercial radio station, confirmed that plans to lift its 18.3 per cent stake in Newspaper Publishing, the UK group which controls The Independent and The Independent on Sunday newspapers.

The Spanish group reported consolidated profits last year of Pta5.1bn ($413m), 28.4 per cent up on 1991. Canal Plus, a pay television channel launched in 1990 that is 25 per cent Prisa owned, came close to breaking even last year and is forecast to add some Pta2bn to Prisa's consolidated balance sheet.

Mr Juan Luis Cebrian, Prisa's chief executive, told shareholders he believed it was "necessary to strengthen" the group's position in the British newspaper publishing company at a time when the UK appeared to be emerging from recession.

Prisa, together with La Repubblica, the daily owned by Italy's L'Espresso group which also owns an 18.3 per cent stake in the UK publishing company, are jointly examining the possibility of raising their respective stakes in The Independent to just under 25 per cent. This would effectively give them a controlling say in the British newspaper.

The two continental Europe groups entered Newspaper Publishing's equity in 1991 and their final decision on whether to press for an increased shareholding is expected shortly. Prisa and L'Espresso are also studying the creation of a French morning newspaper together with The Independent and Le Monde.

# Klöckner-Werke sales decline 5.1%

By Ariane Genillard

KLOCKNER-WERKE, the German steel and machinery group, reported half-year group sales falling by 5.1 per cent to DM3.37bn ($2.03bn), down from DM3.56bn for the same period the previous years.

Sales in its steel subsidiaries, Klöckner Stahl and Klöckner Edelstahl, fell by 12.3 per cent to DM1.08bn for the six months to March 31.

The company, which recently gained approval from creditors to write off DM1.4bn of its DM2.7bn net debt, refused to comment on its operational losses. In the steel divisions, analysts estimate losses at more than DM200m.

Group sales in Germany fell by 9.7 per cent while sales abroad went down by a modest 0.2 per cent. However, in the machinery divisions sales for the six months rose by nearly 2 per cent to DM1.035bn.

Sales in its synthetic material division fell by 3.9 per cent to DM1.261m. The two divisions each account for a third of total turnover.

Industrial orders for its steel divisions fell by 15.7 per cent to DM1.511bn and by 6.8 per cent in its synthetic materials to DM1.257bn. The sharpest fall was recorded in its machinery branch where orders dropped by more than a third to DM827m.

Under the debt rescheduling procedure, a legal step short of bankruptcy proceedings, the company has pledged to pay a third of distributable profits over the next eight years to creditors writing-off up to 60 per cent of their loans.

# Deutsche Telekom turnover rises 14.3%

By Ariane Genillard in Bonn

DEUTSCHE TELEKOM, the German state-owned telecommunications monopoly, recorded a 14.3 per cent rise in turnover to DM54bn ($33.8bn) for the year to December 31 1992.

The rise was mostly due to its increased activities in former east Germany, where turnover rose to DM3.5bn from less than DM1bn the year before. The sales increase was also attributable to a rise in phone calls to foreign countries, the company said.

After-tax results fell by DM250m in 1992 to DM6.45bn, mostly due to the cost of servicing the company's DM100bn debt burden. Interest rates on its outstanding loans in 1992 amounted to DM7bn.

The company will transfer about DM5bn of its after-tax revenues to the federal government and DM1.5bn to the postal services and the post bank.

Deutsche Telekom has committed DM60bn until 1997 to modernising the basic voice services in the east and installing a mobile telephone network. In 1992, investments in the east reached DM11bn, out of a total investment of DM31bn for the whole country.

Last year, the company installed 760,000 lines in eastern Germany and modernised 170,000 lines.

Deutsche Telekom intends to reach 7.2m clients in the east with basic voice services by 1997, install 5m cable outlets for television and 400,000 lines for fax machines. An additional 70,000 public phones are planned as well as 50,000 lines for data transmission.

The company is building its mobile phone network both in the east and the west, where its is competing with Mannesmann, the German engineering and telecoms group.

Mr Rolf-Dieter Leister, chairman, called on politicians to push through the privatisation of the company to allow managerial improvement and access to the capital market.

# Poised for a US investor catwalk

## David Waller reports on Daimler-Benz's new stock market strategy

LAST week, the finance director of Germany's biggest industrial company appeared as part of an unusual double bill.

Mr Gerhard Liener, finance chief at Daimler-Benz, appeared on stage with Mr Wolfgang Ley, managing director of the Escada women's fashion chain. The two men spent the day expounding the attractions of their shares to more than 1,000 investors from Baden-Württemberg in south-west Germany.

Mr Liener will soon get further opportunities to parade the merits of the Daimler-Benz group on the investor relations catwalk. Later this year, Daimler will become the first German company to obtain a full listing on the New York stock exchange. Mr Liener's performance before US investors will be solo as no other German company has made the concessions, primarily on accounting requirements, required by the Securities & Exchange Commission (SEC) before permission to list is granted.

Mr Liener says the move is part of a fundamental reorientation of the group's approach to the world's equity markets. This complements a rethinking of its manufacturing policies.

In the last three years, Daimler has listed its shares in Tokyo, London, Paris and Vienna, adding to listings in Germany and Switzerland. Next year, it hopes to debut on the fledgling Shanghai stock exchange and may list shares in Singapore.

The strategy is partly motivated by the desire for pure publicity. Daimler knows that it will score a public relations coup if it becomes the first European company to get a listing in China. "But the main practical consequence will be that when we proceed to a new rights issue, our shares will be picked up in a much more international way," Mr Liener says.

Daimler last held a rights issue in 1989. It planned another for last year but this had to be postponed because of poor conditions in the German stock market as well as deteriorating profits – group net profits fell 25 per cent to DM1.45bn ($906m) last year. They are likely to fall further to DM1bn this year before, Mr Liener says, bouncing back next year mainly as a result of recovery at Mercedes-Benz, the group's luxury car subsidiary.

He says the next rights issue will raise between DM2bn and DM3bn and will probably take place next year, depending on group profitability and the Daimler share price.

The aim will be to distribute the shares as widely as possible. Thus the line-up of advisory banks will be broader than the last rights issue. It will include a number of US institutions and banks from other parts of the world.

The issue will be made easier by Daimler's decision earlier this year to disband Mercedes Holding (MAH), a holding company set up in December 1975 to prevent Daimler being taken over by the Shah of Iran. This will increase the "free float" of Daimler shares from 33 per cent to 45 per cent. It will, for technical reasons, make it cheaper for Daimler to issue its equity: the discount to the Daimler share price is likely to be 20 per cent rather than 40 per cent in 1989.

If cheaper equity and good publicity are the main reasons behind Daimler's new approach to shareholders, Mr Liener says that it must do more to keep ordinary shareholders "happy, informed and interested".

One way of doing this is to enhance the group's communications effort, but more important – especially for the US investors whom Daimler will be wooing later this year – is financial performance. This does not look good: last month the group reported a profit of just DM20m for the first three months of the year, down from DM480m in the same period last year.

Mr Liener concedes the pressure to generate earnings will increase as a result of coming into closer contact with non-German investors.

Producing figures according to non-German rules will make it much easier for analysts to scrutinise details of performance.

This pressure is partly to be welcomed: "It increases the awareness of management in the group that to be profitable and to increase profitability is one of the most important priorities of being in business.

"But we will not change our attitude from long-term to short-term thinking," Mr Liener insists. "If we do that we will lose something which is very important and very valuable. American managers deplore that they are the slaves of investors' short-term thinking."

He hopes that he will be able to tell US investors a very positive story when it comes to the rights issue next year. "Profits as of 1994 will be considerably increased from current levels – the second half of the nineties is going to be very good for Daimler-Benz."

# Shareholders win battle over Hanson meetings

By Norma Cohen, Investments Correspondent

HANSON, the Anglo-US conglomerate, has unexpectedly withdrawn a plan to give its chairman greater control over the annual general meeting, following strenuous opposition from shareholders.

Lord Hanson, chairman, said yesterday: "My previous letter to shareholders, asking for their permission to vary certain articles of association, apparently gave some the impression that we were seeking to take draconian powers over shareholders and to restrict their rights. This I regret as, needless to say, this was not my intention."

The changes would have eliminated shareholders' rights to nominate a director to the board unless backers represented at least 10 per cent of the vote. Also, shareholders would have lost the right to propose amendments to resolutions unless they represented 5 per cent of the share capital.

Two shareholder groups, the Pensions Investment Advisory Council and the National Association of Pension Funds, had organised the opposition. Yesterday, Mr John Rogers, secretary to the investment committee of the NAPF, said: "This decision is a very positive and responsible one from a board which has listened to its shareholders."

# Widespread criticism in report on Astra affair

By Richard Gourlay and David Hellier in London

BRITAIN'S Department of Trade and Industry yesterday published its report into Astra Holdings, the collapsed munitions company linked to the Iraqi "supergun" affair. It criticised the London Stock Exchange, auditors Stoy Hayward, and financial advisers PaineWebber as well as the company's directors.

The DTI inspectors also showed that Astra began its publicly-quoted life in 1986 with a fraud. Directors of the then-private Astra falsified invoices to lift profits and meet a forecast that allowed it to reverse into a public company.

The DTI sent the Serious Fraud Office a dossier on the Astra affair but decided not to pursue its own investigation. The SFO said the material "did not justify" a criminal investigation.

The 560-page report concentrates on the disastrous 1989 acquisition of PRB, a Belgian munitions company and the accompanying £36m rights issue, more than on Astra's involvement in munitions contracts.

It shows serious failures by the Stock Exchange and PaineWebber to ensure proper monitoring of circulars to shareholders that accompanied the rights issue.

Details, Page 23

# Nixdorf, Fujitsu extend alliance

By Michiyo Nakamoto in Tokyo

SIEMENS NIXDORF, the German information technology group, and Fujitsu, Japan's largest computer maker, are extending their co-operation in mainframe computers to include next-generation machines.

Fujitsu will supply Siemens with high performance semiconductor manufacturing technology to be used in Siemens's entry-level and mid-range machines, while Siemens will provide Fujitsu with the central processing unit technology for Fujitsu's entry-level range.

Siemens and Fujitsu will work together on operating systems software and on components. The tie-up extends the relationship the two companies have had in mainframes, in which Fujitsu has supplied Siemens with high-end mainframe computers.

The extended relationship underlines both companies' belief that high costs need to be reduced in view of the length of time it takes to develop mainframe computers.

Fujitsu is one of the largest makers of mainframes in Japan, but this is a shrinking business with users increasingly switching to equally powerful but much cheaper workstations and PCs.

● Applied Materials of the US, the world's largest maker of semiconductor manufacturing equipment, and Komatsu, the Japanese construction machinery maker, are setting up a joint venture to develop, manufacture and market equipment to make liquid crystal displays.

Applied Materials and Komatsu will each take a 50 per cent stake in the joint venture, which will be established in Japan.

The new company will take over the business of Applied Displays Technology, a subsidiary of Applied Materials established in Japan in 1991 to develop equipment to manufacture LCD panels.

The market for LCD panels, which are used in laptop computers and compact televisions, is expected to show strong growth.

# Earnings plummet at Japanese brokers

By Robert Thomson in Tokyo

JAPANESE brokerages yesterday reported a sharp fall in consolidated earnings generally in line with their poor parent company results, while Kokusai Securities, a medium-sized broker, announced that it would close a Singaporean subsidiary today.

The decision by Kokusai to close Kokusai Singapore Merchant Banking, which reported a pre-tax loss of Y127m ($1.2m) last year, reflected the attempts of most of the securities houses to reduce their costs.

Kokusai has already closed offices in Geneva, Vienna and Frankfurt.

Each of the "Big Four" houses – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – turned in bleak consolidated results for the year ended in March.

The companies blamed the results on weak turnover and prices on the Tokyo stock market.

Nomura announced an 87.7 per cent decline in net profit to Y3.6bn.

Daiwa had a particularly bad year, reporting a pre-tax loss of Y6.5bn, compared with a profit of Y20.3bn in the previous year.

While Nomura's revenue fell 12.2 per cent, Daiwa's revenue slumped 27 per cent.

Nikko reported a pre-tax profit of Y1.9bn, down 77 per cent, and a net loss of Y8.1bn, which was an improvement on the Y26.7bn loss of a year earlier.

Yamaichi reported another large pre-tax loss of Y32.6bn, compared with Y30.5bn in the previous year, but managed to reduce its net loss to Y42.3bn from Y51.9bn.

Its revenue during the year fell 19.6 per cent to Y267.8bn.

The poor results highlight the pressure on Japanese houses to cut costs and streamline or close unprofitable operations. The pressure is particularly acute on the second-tier brokerages, which rapidly expanded their operations during the bubble years of the late 1980s.

# Indian cement group falls to Rs1.8bn

ASSOCIATED Cement Companies, India's largest cement group, reported a sharp fall in profits last year as the Indian economy was gripped by recession and demand for cement slowed, writes R.C. Murthy in Bombay.

ACC failed to recover fully from cost increases fuelled by double-digit inflation.

Sales rose by 7 per cent to Rs15.62bn ($502.2m) in the year ended March 1993, but gross profits fell by 38 per cent to Rs1.8bn. After provisions, net profit was Rs695m, down from Rs1.1bn the previous year.

ACC is the third large company within India's Tata group to report a fall in profits in the year to March. The company's outlook remains poor, with profit margins under continued pressure over the past two months.

Dividends remained unchanged at Rs3 per share, but the payout of Rs235m was higher than the Rs167.9m paid out in 1991-92 because of a rights issue.

# Labour unrest spreads at Hyundai plants

LABOUR strife is spreading gradually through the Hyundai Group, one of South Korea's biggest industrial powerhouses, Reuter reports from Seoul.

Workers at Hyundai Motor this week voted to down tools for two hours a day in support of a claim for better pay and conditions. If the union called a full strike, the company would face losses of Won30bn ($37.7m) a day, according to Hyundai Motor.

In Ulsan, workers at Hyundai Construction Equipment Industrial and Hyundai Electrical Engineering have voted to take industrial action in support of a pay claim. Hyundai Heavy Industries, the world's largest shipbuilder, and Hyundai Wood Industries are expected to follow suit.

# HK alters exchange listing rules

By Simon Holberton in Hong Kong

HONG KONG yesterday moved closer to securing its role as one of China's most important financial centres when the British colony's stock exchange released a package of amendments to its listing requirements, paving the way for the flotation of nine Chinese state companies over the coming 12 months.

The publication of the amendments, which are designed to enable the nine to list while seeking to protect the interests of minority shareholders, comes ahead of the signing in Beijing tomorrow of a "memorandum of regulatory co-operation" between Hong Kong and Chinese securities market regulators.

The memorandum will embody a set of principles for the regulation of securities markets on the mainland, including a commitment to the operation of fair, orderly and efficient markets which are informed by the timely disclosure of material information.

The agreement between the Hong Kong stock exchange, the Shanghai and Shenzhen exchanges, and the two regulatory authorities – the China Securities Regulation Commission and the Securities and Futures Commission of Hong Kong – marks a significant development in co-operation between the colony and China.

The amendments will allow the nine to issue a minimum of 10 per cent of their shares – denominated in yuan, quoted in Hong Kong dollars, and defined as "H" shares – for quotation on the Hong Kong exchange. Up to 15 per cent of a company's equity will be listed on one of China's two exchanges in "A" shares.

To strengthen investor protection, the nine will report results according to western accounting standards; appoint at least two independent directors; and retain the services for three years of a foreign investment adviser.

Mr Robert Nottle, chairman of the SFC, said that the distinct markets for "A" and "H" shares presented "novel regulatory issues" for Hong Kong.

Once listed, a mainland company would come under the jurisdiction of relevant Hong Kong laws and non-statutory requirements, Mr Nottle said.

● Hang Seng Bank, which is controlled by HSBC Holdings, yesterday appointed Mr Alexander Au as its chief executive officer with effect from October 1, Reuter reports from Hong Kong. Mr Au is the bank's managing director and deputy chief executive officer.

Chinese bonds, Page 24

# Westpac goes ahead with A$500m issue

By Bruce Jacques in Sydney

WESTPAC Banking Corporation, the large Australian bank, yesterday moved ahead with the A$500m (US$333m) convertible preference share issue it foreshadowed when it released half-year results last month.

Westpac directors said that the bank had executed an underwriting agreement for the issue with Were Stockbroking and County NatWest Securities.

They added that A$300m in shares offered to institutions had already been fully subscribed.

The remaining A$200m, with oversubscriptions up to a further A$100m, would be limited to Australian and New Zealand investors.

# INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## New Daf truck companies see profitability this year

By John Griffiths

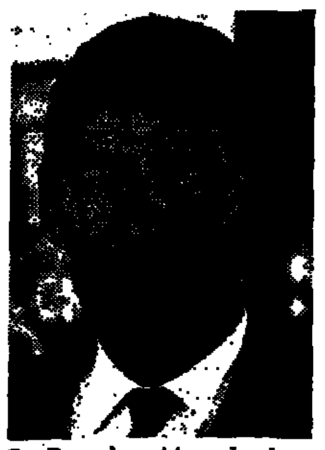
BOTH the Dutch and UK truck-making companies formed out of DAF, which went into receivership earlier this year, yesterday asserted that they would be profitable this year with a combined production of 12,000-12,500 vehicles.

Daf Trucks NV, formed on March 2 with £370m ($555m) in equity and loan backing from the Dutch and Flemish regional governments, banks and institutional investors, expected to capture around 7 per cent of the west European truck market, said Mr Cor Baan, chairman of the new Dutch-based company.

Mr Baan, who acknowledged that "some very hard lessons" had been learnt from the problems of the old Daf group, said his company faced a viable future as a producer of around 10,000 heavy trucks annually. He expected an annual turnover of some £740m a year, once normal trading had been re-established. This year it expected to sell 7,500-8,000 trucks, although about 1,000 of these would be from existing stocks.

These output and sales projections are less than half the peaks achieved by Daf in the late 1980s. However, it now has only half its previous Dutch and Belgian workforce of 6,500.

The projections exclude production from Leyland Trucks Manufacturing, the new name for the former Leyland Daf truck-making subsidiary. The UK company was bought from the UK receivers last week by a management team led by chief executive Mr John Gilchrist.



Cor Baan: learnt 'very hard lessons' from collapse

Mr Gilchrist, who refused yesterday to disclose either the price paid for the company or the structure of its shareholdings, said the new Leyland company expected to produce 5,500 trucks this year, rising to 8,000 a year in 1995.

Most of these are expected to be the medium-weight 45 Series truck, of which up to 6,000 a year were being sold through Daf dealers on mainland Europe prior to the receiverships.

Following last week's management buy-out, the Dutch and British companies said yesterday they had signed a long-term contract under which the Leyland-built trucks would continue to be sold through "new" Daf's continental outlets.

Mr Baan acknowledged that Daf had lost an undisclosed number of mainland dealers. However, he insisted that Daf had not been badly hit, and in any case needed fewer dealers because vans had been deleted from its product line-up.

"Only a minority have stepped over to other makes, especially Iveco and Renault," Mr Baan said.

The UK dealer network has fallen by only seven outlets – to 118 from 125 – despite "transfer fees" being offered by rival manufacturers, according to Mr David Gill, managing director of Leyland Daf Trucks, the company which will control the UK sales and marketing of both manufacturers.

This company was acquired by the Dutch group last week, and will market and sell both the Leyland and mainland-built trucks through the UK dealer network.

The steep fall in UK truck demand in 1990 was held largely responsible for the collapse of the old Daf group, as the UK had been accounting for 40 per cent of all sales. Mr Gill forecast yesterday that the market would grow this year by between 5 per cent and 9 per cent from last year's 31,400 trucks.

He said Leyland Daf's share would recover from its current 18 per cent level to nearer the more than 23 per cent it held last year.

## IBM treasurer to retire early

By Louise Kehoe in San Francisco

IBM has announced that Mr Robert Ripp, the company treasurer, has opted for early retirement and will leave the company at the end of October.

Mr Ripp's departure is the latest of several senior management changes at IBM following the appointment of Mr Louis Gerstner as chairman and chief executive in April.

Last month, IBM appointed Mr Jerome York, formerly of Chrysler, as its new chief financial officer.

Mr Ripp had previously been seen as a likely candidate for that position.

After 29 years at IBM, Mr Ripp plans to "pursue several entrepreneurial business opportunities," the company said. His successor at IBM has yet to be identified.

"We do not have a successor ready to name," an IBM spokesman said. The search for a new treasurer is expected to include potential candidates within IBM as well as outsiders.

"Bob Ripp played a key role in IBM's restructuring efforts over the last several years. He also has provided innovative treasury leadership, and recently managed the issuance of the company's first-ever preferred stock offering as part of a nearly $3bn IBM corporate financing package," said Mr Gerstner, commenting on Mr Ripp's retirement and praising his long service to the company.

## Investors to face Royal Trustco managers

By Bernard Simon in Toronto

DISGRUNTLED Royal Trustco shareholders will today confront managers of the business empire controlled by Toronto's Bronfman family over the circumstances which have led to the near-collapse of Canada's second-biggest trust and loan company.

A committee, which claims to represent over 1,000 shareholders and subordinated debt holders in North America, Europe and Australia, has circulated a long list of questions which it plans to ask at Trustco's annual meeting in Toronto this morning.

The meeting is likely to be Trustco's last. Royal Bank of Canada is in the final stages of negotiations to rescue Trustco's operations.

The parent company will be left with a C$5.3bn (US$4.1bn) loan portfolio. It plans to change its name to Gentra.

Trustco's problems stem partly from the slump in the North American property market.

They were exacerbated, however, by write-offs which flowed from the mishandled acquisition of Dow Chemical's financial services arm and a string of US west-coast savings and loan institutions.

Trustco's shares have tumbled from a peak of C$18.25 in 1990 to 35 cents yesterday.

The losses suffered by shareholders have made Trustco a focal point of criticism levelled by the investment community against the Bronfman group's disclosure standards and corporate governance.

Mr Raymond Budd, chairman of the public shareholders committee, said in a letter to the chairman of an independent committee of Trustco's board examining the deal that shareholders are in essence seeking an answer to the question: "How can a company that in the late autumn of 1992 professes to be liquid, solvent, healthy and profitable ... announce just a few months later a loss for the 1992 fiscal year of over C$850m and the need to sell substantially all of its profitable assets?"

## American Airlines warning depresses shares in sector

By Nikki Tait in New York

SHARES in the US airline sector fell heavily yesterday after American Airlines, one of the nation's "big three" carriers, warned that second-quarter earnings would be "significantly" below market expectations.

Most analysts had been predicting a small profit – perhaps $75m – in the three-month period to end-June. This would have represented a significant improvement on the same period of 1992, when AMR, American Airlines' parent company, made an after-tax loss of $166m.

Even excluding one-off charges from this figure still left last year with an underlying $48m deficit.

Yesterday, however, American said that it had experienced slightly lower-than-anticipated traffic in May, and found that this trend was continuing into June. "International performance continues to be very weak," added the carrier. "Yields are consistent with prior assumptions, so they are not offsetting the updated lower traffic estimates."

American's warning comes one day after USAir, the smaller US carrier in which British Airways holds a minority stake, warned that it would show after-tax losses for both the second quarter and for 1993 overall.

Earlier this year, there had been hopes that the heavily loss-making airline sector was finally turning the corner, and airline shares took the latest news badly.

AMR fell $4⅞ to $61⅞, Delta lost $1 at $48⅞, and UAL, parent of Chicago-based United Airlines, shed $4⅛ at $122⅞ before the close. USAir, which had suffered on Wednesday, fell a further $1 to $16⅞.

## Bradford & Bingley comes to market

By Tracy Corrigan

BRADFORD & Bingley has become the latest UK building society to tap the syndicated credits market.

It has completed a £250m ($375m) revolving credit facility, increased from an initial £150m after the facility was oversubscribed, according to arrangers Swiss Bank Corporation and Westdeutsche Landesbank. A third of the facility will be drawn by the borrower after next week's signing.

The five-year facility incorporates a US dollar swing-line option, allowing the borrower to receive immediate dollar funds in the US market at half a point above the US prime rate.

The commitment fee on the facility is 17 basis points. The margin, if funds are drawn, is 32½ basis points, unless more than 50 per cent of the facility is drawn, in which case a further 2½ basis points is added.

## John Labatt losses deepen to C$204m

By Robert Gibbens in Montreal

JOHN LABATT, the Canadian brewing and consumer products group, posted a loss of C$204m (US$159.3m) on revenues of C$446m in the fourth quarter ended April. A year earlier, Labatt posted a loss of C$23m on revenues of C$379m.

The latest loss stems mainly from continuing problems with Labatt's US dairy business. The loss included a C$173m write-down in the value of this operation.

For the whole of 1992-93 the loss was C$70m against a profit of C$101m a year earlier. Revenues were C$2.1bn against C$1.7bn.

Brewing had an operating profit of C$218m for the year, up from C$178m.

Labatt recently spun off its Canadian dairy products operations and classified its US dairy business as a discontinued operation while attempts are made to sell it.

## INTERNATIONAL CAPITAL MARKETS

# Long gilts surge as UK inflation stays at 33-year low

By Peter John in London and Patrick Harverson in New York

LONG-DATED UK government bonds shot ahead yesterday on a combination of encouraging inflation data and the yield attractions for overseas investors.

The benchmark 25-year gilt lifted 9/16 to 103¾ and dragged up the other long-dated maturities. Investors were inspired by the latest economic data showing retail inflation at its lowest for 33 years.

### GOVERNMENT BONDS

However, it was a different story for short-dated gilts as the announcement of the latest unemployment figures pushed back hopes of an interest rate cut. The market had expected a reversal of the recent encouraging trend, and was presented with a fall of 26,000 in the month-on-month jobless level.

The latest figure prompted investors to sell short-dated bonds and move out along the yield curve, which continued to flatten out. Since the beginning of the year, long gilt yields have fallen by around half a percentage point, while the short end has eased by only 20 to 40 basis points. This reflects the growing optimism for low inflation and the international perception of sterling's attractions.

Economists said the UK offered the highest yield for very long-dated issues. They were sufficiently liquid to trade viably and "duration" was increasingly the buzz word as investors moved to long-dated issues for the high returns.

There are widely-held expectations of a gilts auction announcement today, probably of between £3bn and £3.5bn of stock in the 2000-2003 maturity range, but possibly with a longer maturity considering the current trend.

■ FRENCH government bond trading was enlivened by continuing interest rate cut optimism and a well-received auction.

A belief that France will once again reduce short-term lending rates independently of Germany enabled dealers to shrug off any disappointment at the Bundesbank's inaction yesterday. Consequently, the yield curve steepened with two-year maturities firming slightly and the longer maturities easing.

Dealers said an auction for FFr16.4bn of two-year and five-year paper yesterday was "very aggressively bid". There were FFr8.4bn of two-year bonds on offer, against FFr37bn of bids, and the auction for five-year paper was covered more than 3.5 times.

■ GERMAN government bonds fell after the Bundesbank failed to cut its key interest rates. However, hopes had already been eroded before the close of dealing on Wednesday. Yesterday's reaction was perhaps more a petulant gesture than a heart-felt reaction.

There was also an acknowledgment that the continuing strength of the dollar against the D-Mark had tied the Bundesbank's hands and rendered unfeasible a reduction in the Lombard and discount rates.

On Liffe, September bunds ended the day only 7 basis points lower, at 94.83, with turnover relatively thin at 53,500 contracts.

■ SPANISH government bonds saw early gains, but ticked back later on disappointment that the Bundesbank did not ease. Ten-year bond futures on the Meff traded as high as 91.50 at one stage, as Mr Felipe Gonzalez, the prime minister, offered Catalonia's main nationalist party a place in a coalition government, thus easing worries of political in-fighting.

However, the contract slipped back to close only 9 basis points higher at 91.24.

■ US Treasury prices firmed at the long end of the maturity range in the wake of a downbeat report on economic conditions from the Philadelphia Federal Reserve.

By midday, the benchmark 30-year government bond was up 7/32 at 104 3/32, yielding 6.799 per cent. At the short end, the two-year note was unchanged at 100 3/32, to yield 4.057 per cent.

Buying of longer-dated securities by both retail and dealer accounts was sparked by the Philadelphia Fed's report that business activity in its region declined sharply in June.

The report indicated that the economy has slowed significantly from the end of 1992.

The day's other economic data was also broadly bullish for bonds. Weekly unemployment claims were unchanged, and the April trade deficit widened to $10.49bn, substantially larger gap than expected.

The widening in the deficit reflects the weakness of overseas economies, which means the US will not be able to rely on expanding exports as a source of growth over the year.

### FT FIXED INTEREST INDICES

| | June 17 | June 16 | June 15 | June 14 | June 11 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| GovtSecs (UK) | 95.95 | 95.62 | 95.54 | 95.57 | 95.37 | 88.79 | 98.04 | 93.28 |
| Fixed Interest | 112.47 | 112.04 | 111.90 | 111.87 | 111.85 | 104.35 | 113.83 | 108.67 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (9/3/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | June 16 | June 15 | June 14 | June 11 | June 10 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 100.0 | 114.9 | 84.7 | 79.7 | 84.0 |
| 5-Day average | 92.7 | 91.5 | 84.7 | 83.3 | 84.7 |

* SE activity indices rebased 1974

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 9.500 | 08/03 | 113.0152 | -0.382 | 7.63 | 7.68 | 7.64 |
| BELGIUM | | 9.000 | 03/03 | 112.0400 | - | 7.23 | 7.30 | 7.42 |
| CANADA * | | 7.250 | 06/03 | 98.8000 | +0.400 | 7.42 | 7.52 | 7.73 |
| DENMARK | | 8.000 | 05/03 | 106.2500 | -0.050 | 7.10 | 7.29 | 7.52 |
| FRANCE | BTAN | 8.000 | 05/98 | 106.5814 | -0.046 | 6.38 | 6.53 | 6.58 |
| | OAT | 8.500 | 04/03 | 110.9700 | -0.100 | 6.92 | 7.02 | 7.11 |
| GERMANY | | 6.75 | 04/03 | 99.8250 | -0.065 | 6.77 | 6.78 | 6.81 |
| ITALY | | 11.500 | 03/03 | 100.0700 | +0.050 | 11.61† | 12.16 | 12.32 |
| JAPAN | No 119 | 4.800 | 06/99 | 102.7071 | +0.269 | 4.24 | 4.36 | 4.57 |
| | No 145 | 5.500 | 03/02 | 107.3959 | +0.710 | 4.34 | 4.47 | 4.67 |
| NETHERLANDS | | 7.000 | 02/03 | 102.8200 | -0.030 | 6.58 | 6.64 | 6.64 |
| SPAIN | | 10.300 | 06/02 | 98.3926 | -0.336 | 10.56 | 10.76 | 11.13 |
| UK GILTS | | 7.250 | 03/98 | 100-21 | -4/32 | 7.08 | 7.07 | 7.15 |
| | | 8.000 | 06/03 | 100-30 | +7/32 | 7.86 | 7.98 | 8.12 |
| | | 9.000 | 10/08 | 108-19 | +19/32 | 8.23 | 8.38 | 8.53 |
| US TREASURY * | | 6.250 | 02/03 | 102-12 | +4/32 | 5.92 | 6.05 | 6.07 |
| | | 7.125 | 02/23 | 104-02 | +7/32 | 6.80 | 6.87 | 6.98 |
| ECU (French Govt) | | 8.000 | 04/03 | 105.0700 | +0.090 | 7.26 | 7.39 | 7.46 |

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# China steps up efforts to clear bonds backlog

By Tony Walker in Beijing

CHINA has intensified its campaign to rid itself of a large backlog of unsold treasury bonds after initial attempts to interest the public in a Yuan30bn ($5.2bn) issue met with limited response.

China's State Council, or cabinet, this week urged provincial governments to redouble their efforts to clear the backlog. It also repeated its ruling banning localities from issuing securities, including equities and debt, before quotas of state treasury bills were sold.

The latest instruction to provinces follows a disappointing public response to a decision taken in May to raise interest rates on three- and five-year treasury bills by 2.5 per cent to 12.52 per cent and by 3 per cent to 14.06 per cent respectively.

China's finance ministry reports that only Yuan8.3bn, or 28 per cent of the total treasury bonds on offer, was sold by the end of May.

"The target for state bonds must be met, as funds raised from the bonds will be used mainly for the construction of key state projects... and had been included in the 1993 state budget," an official said.

With inflation running in China's larger cities at around 20 per cent, and with investors attracted by the prospect of speculative gains from China's fledgling stock markets, government paper has held little appeal.

The weakness of the yuan is another factor against bond sales. The yuan has depreciated against the US dollar by more than 40 per cent in the past year or so, prompting a rush to buy dollars on the black market. People have also been buying gold as a hedge against the depreciating yuan.

China's efforts to establish a free market in treasury bills by ending compulsory purchase requirements for individuals and enterprises in 1991 appears to have suffered a setback. Pension funds are now being obliged to buy bonds. Private businesses are also being pressured to do so.

Mr Liu Zhongli, the finance minister, is planning to go on television to urge citizens to buy bonds as part of their contribution to China's development.

He said China was considering an overhaul of its system of distributing bonds, which at the moment relies on a fairly unsophisticated system of underwriting. It also planned to devote more effort to marketing new issues and would adopt a system of public auction in due course.

# Mexico to sell 70% of state insurance group

THE Mexican government is to sell 70 per cent of Aseguradora Mexicana (Asemex), the state insurance group, Reuter reports from Mexico City.

An initial package of 2.55m "A" shares, 51 per cent of the insurer's equity, is to be sold into the private sector. A further 19 per cent is to be offered as an option to whoever wins the first tranche of shares.

The finance ministry said the government would retain a minority 30 per cent stake in the company.

Parties interested in buying Asemex would be required to deposit 75m new pesos in Mexican treasury bills, known as Cetes. Bids have to be in by September 10 and the result of the auction will be announced by September 27.

Foreign investors can not hold more than 30 per cent of Asemex.

# Forte leads action with £100m, 10-year deal

By Sara Webb

THE Eurosterling sector of the international bond market saw plenty of action yesterday, with three substantial offerings: from Forte, WestLB Finance Curacao, and Bayerische Landesbank. Borrowers were keen to exploit the strong demand from investors for sterling-denominated paper, especially on the back of yesterday's inflation and unemployment figures.

### INTERNATIONAL BONDS

Forte, the UK hotels and restaurants group, launched a £100m, 10-year deal intended to help lengthen the group's maturity profile. The proceeds were swapped into floating-rate sterling, substantially reducing the cost of borrowing.

Mr Morris Grossfeld, group treasurer, said Forte's recent borrowings in the international bond markets would be used to help pay off an existing £350m syndicated loan and a $200m Eurobond issue, both maturing in 1994.

"Our plan was to lengthen our debt maturity and the 10-year area was the maturity we were missing," Mr Grossfeld said. Forte recently launched a £90m, 15-year convertible bond issue and a £200m, 25-year bond issue.

The 10-year bonds were launched at a yield spread of 135 basis points over the gilt, tightening to 133 basis points. Bond market participants said the group's credit rating of A-/BAA1 was not especially attractive, but pointed out that there was good demand for 10-year Eurosterling paper at the moment.

The deal was bought mainly by UK institutions, although Samuel Montagu, joint-book-runner with J.P. Morgan, said European investors looking for a good yield spread over gilts had bought paper.

In the Eurodollar sector, City of Yokohama launched a $190m, 10-year deal. The bonds were launched at a yield spread of 29 basis points over the US Treasury bond, which the lead manager said was in line with a recent offering from City of Kobe. The proceeds were swapped into fixed-rate yen.

A $50m Eurobond from Banco Itamarati of Brazil attracted some attention as it coincided with the announcement of changes to the withholding tax rules applying to Brazilian Eurobonds.

Dealers said Brazil had increased the minimum maturity period for Eurobond withholding tax exemption to 36 months from 30 months. The change affects fixed- and floating-rate notes and certificates of deposit.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | | |
| City of Yokohama | 190 | 6.25 | 99.51R | Jul.2003 | 0.325R | +29 (6¼%-03) | Bank of Tokyo Cap. Mkts. |
| Banco Itamarati | 50 | 9.75# | 99.763R | Dec.1996 | 1.25R | +560 (a) | Chase Investment Bank |
| STERLING | | | | | | | |
| Bayerische Landesbank(b) | 150 | 8.5 | 101.7R | Feb.2003 | 0.35R | +20 (8%-03) | SG Warburg Securities |
| WestLB Finance Curaçao(c) | 100 | 8.5 | 100.78R | Jun.2003 | 0.35R | +32 (8%-03) | CSFB |
| Forte | 100 | 9.375 | 99.7R | Jul.2003 | 0.5R | +135 (8%-03) | Samuel Montagu/JP Morgan |
| CANADIAN DOLLARS | | | | | | | |
| Finnish Export Credit | 100 | 7.25 | 99.825R | Jul.1997 | 0.275R | +70 (6½%-96) | Wood Gundy |
| SWISS FRANCS | | | | | | | |
| Osterreichische Postsparkasse | 150 | 4.625 | 102 | Jul.2003 | - | - | Swiss Bank Corp. |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Spread is over the interpolated yield curve. b) Fungible with the outstanding £150m. Plus 144 days accrued interest. c) Fungible with the outstanding £150m. Plus 36 days accrued interest.

# Lively trade welcomes new Matif contract

By Peter John

A FUTURES contract for five-year French government bonds began trading yesterday on the Matif, the French futures exchange. The move follows the recent launch of two five-year contracts: a German government bond (BOBL) contract on Liffe in London and an Italian government bond (BTP) contract on Italy's Mif.

The bond contract, established to allow dealers to trade against its German equivalent as well as five-year underlying French bonds, saw some lively business, with around 6,800 lots dealt by the close of official business.

Although volume was well below that of the comparable German contract, dealers said it was a healthy beginning.

The Matif already lists a three-month Pibor interest rate contract, a seven to 10-year bond contract, and a 15 to 30-year bond contract. However, the 30-year contract, launched on January 28, is hardly traded.

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 17

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 46 | 16 | 16 |
| Other Fixed Interest | 13 | 0 | 2 |
| Commercial, Industrial | 259 | 275 | 866 |
| Financial & Property | 152 | 116 | 530 |
| Oil & Gas | 21 | 15 | 47 |
| Plantations | 0 | 1 | 7 |
| Mines | 31 | 29 | 79 |
| Others | 47 | 35 | 45 |
| Totals | 569 | 486 | 1,592 |

### LONDON RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

h Figures based on prospectus estimates. N Figures based on EMR "Headline Earnings" draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ¥ Unlisted securities market. pm Price at a premium.

### TRADITIONAL OPTIONS

- First Dealings June 14
- Last Dealings June 25
- Last Declarations Sep. 16
- For settlement Sep. 27

*3-month call rate indications are shown in Saturday editions.*

Calls in Aerospace Eng., Aitken Hume, Alphameric, Division, Enterprise Cmptr., Ferranti, J. Foster, Heritage, Mid-States, NSM, Remco Oil, Security Servs., St. Modwen, Sthn. Business and Vaal Reefs. Puts in Aitken Hume and NSM.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

June 17 Total Contracts 29,223
Calls 20,008 Puts 9,215
FT-SE Index Calls 3,786 Puts 2,411
Euro FT-SE Calls 998 Puts 849
*Underlying security price. †Long dated expiry mths. Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

#### PRICE INDICES

| | | Thu Jun 17 | Day's change % | Wed Jun 16 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (26) | 127.38 | +0.01 | 127.35 | 1.68 | 5.36 |
| 2 | 5-15 years (21) | 147.24 | +0.24 | 146.89 | 1.78 | 6.65 |
| 3 | Over 15 years (9) | 160.02 | +0.89 | 158.60 | 2.64 | 4.40 |
| 4 | Irredeemables (6) | 180.22 | +1.44 | 177.67 | 1.66 | 6.36 |
| 5 | All stocks (62) | 143.87 | +0.26 | 143.50 | 1.90 | 5.88 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 184.77 | | 184.78 | 1.01 | 1.92 |
| 7 | Over 5 years (11) | 174.29 | +0.18 | 173.97 | 0.90 | 2.26 |
| 8 | All stocks (13) | 174.59 | +0.16 | 174.30 | 0.91 | 2.22 |
| 9 | Debs & Loans (65) | 130.29 | +0.61 | 129.51 | 2.51 | 4.93 |

#### AVERAGE GROSS REDEMPTION YIELDS

| | | | Thu Jun 17 | Wed Jun 16 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 7.10 | 7.10 | 8.08 |
| 2 | Coupons | 15 years | 7.88 | 7.91 | 8.96 |
| 3 | (0%-7¾%) | 20 years | 8.06 | 8.13 | 8.96 |
| 4 | Medium | 5 years | 7.31 | 7.32 | 9.18 |
| 5 | Coupons | 15 years | 8.24 | 8.30 | 9.09 |
| 6 | (8%-10¾%) | 20 years | 8.35 | 8.42 | 9.07 |
| 7 | High | 5 years | 7.49 | 7.49 | 9.39 |
| 8 | Coupons | 15 years | 8.49 | 8.58 | 9.28 |
| 9 | (11%-) | 20 years | 8.53 | 8.61 | 9.24 |
| 10 | Irredeemables(Flat Yield) | | 8.41 | 8.53 | 9.23 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 3.00 | 2.98 | 3.95 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.55 | 3.57 | 4.32 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.31 | 2.30 | 3.18 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.39 | 3.40 | 4.13 |
| 15 | Debs & | 5 years | 8.82 | 8.89 | 10.53 |
| 16 | Loans | 15 years | 9.22 | 9.29 | 10.39 |
| 17 | | 25 years | 9.38 | 9.45 | 10.28 |

# Interest costs hold back Severn Trent

By Angus Foster

SEVERN TRENT, the Birmingham-based water and sewage company, yesterday reported a slight fall in profits due to rising interest costs and pre-tax losses at its waste management arm, Biffa.

Mr Roderick Paul, chief executive, said Biffa had achieved some price rises, but operating profits fell £500,000 to £12m, leading to a £10m loss after interest costs. "It's about market pressures. It's been a tough year," he said.

Severn Trent's results were poorly received by analysts, who also criticised a sudden switch of accounting policy on the company's underground assets. The change, which lifted pre-tax profits by £15.9m, conforms to accounting rules but was not announced in advance. The company's shares fell 13p to 486p.

Group pre-tax profits fell from £274m to £270m, although the prior year figure was restated under FRS 3 from £265m. At the interim stage, profits increased 3 per cent to £140.8m.

Turnover rose 10 per cent to £904.6m, helped by price rises and acquisitions, while operating profits on continuing operations increased 11 per cent to £299.6m. Profits from water and sewerage businesses increased 15 per cent to £293m.

Excluding Biffa, other non-regulated activities saw profits drop from £6.2m to £1.4m. Mr Paul said the fall was due to restructuring costs and weak economic conditions in the UK and US.

Interest costs increased sharply to £28.9m as net borrowings increased £252m to £422.4m, giving gearing of 21 per cent. Borrowings are expected to increase by a further £200m this year, the company said.

The company disconnected 1,315 customers during the year, a slight fall from the previous period, although there was no change in disconnection policy. The bad debt provision fell by £2m to £8m.

Earnings fell from a restated 70.6p to 69.9p. Excluding exceptional disposal profits of £8.6m in the prior year, earnings increased 2.5 per cent.

A final dividend of 14.1p was recommended to make a total of 21.1p, an increase of 9.3 per cent. The company said it looked at offering an enhanced scrip alternative, but decided it was against shareholders' longer-term interests.

# TV-am considers move into casinos

By Raymond Snoddy

TV-AM, the breakfast television company, which placed a very bad bet in the ITV franchise round is considering one final gamble.

Just as they are taking down the famous eggcups over the TV-am studios before MTV moves in, the failed television company is thinking seriously about going into the casino business.

TV-am is in talks to take over Crockfords, the Mayfair casino company whose last published results show a pre-tax profit of £10m for 1991. It is not clear whether the club has done so well as the recession has deepened.

The television company, which lost out to Good Morning Television and the Curzon Street casino, is talking about a complex deal involving a simultaneous rights issue, Stock Exchange flotation and acquisition.

Crockfords was owned by Tiny Rowlands' Lonrho group, then by Brent Walker before it changed hands in a management buy-out.

As far as the shareholders of TV-am were concerned the company was due to be wound up and the money distributed. The studios had been sold for £3.5m and a 50 per cent stake in Virgin Radio was disposed of for about £1.5m.

Instead shareholders were told about a proposal put to their board which could lead to TV-am "acquiring a new business and thereby continuing in existence".

A number of directors have stayed on at the company to explore the possible takeover including Sir David Frost, the broadcaster, Mrs Edwina Coven, former deputy chairman, Mr Richard Redmayne of stockbrokers Smith New Court, and Mr Stratos Zographos, former finance director of TV-am and now finance director of the ITV Network Centre.

TV-am still has assets of some £12m. It is not clear whether all the directors are in favour of the casino plan.

# US side curbs growth at Dawson

By Daniel Green

A 36 PER cent fall in US profits for Dawson International, Britain's third biggest textiles company, almost wiped out gains made in luxury clothing brands such as Pringle and Ballantyne. The company plans to close more US factories in an attempt to reverse its fortunes.

For the year to March 27 1993, turnover rose 4 per cent from £415m to £431.7m.

Pre-tax profits increased by 38 per cent to £32.1m against £23.2m, restated in accordance with FRS 3.

On the old accounting basis, pre-tax profits rose 6 per cent. US profits fell from £18.5m to £11.8m.

These figures were flattered by the strength of the dollar. If currency translation effects are stripped out, sales and profits were almost unchanged in real terms.

Sir Ronald Miller, chairman, said that the improvement seen in trading a year ago "had evaporated as the recession regained its grip in the UK and gained momentum in the important continental European and Japanese markets."

The company's mainly US-based Consumer Products division saw sales fall in dollar terms.

West Fleece, which makes garments such as jogging suits, lost "a seven-figure sum" after price competition and technical problems hit supplies to one of its largest customers, US retailer K-Mart.

Consumer Products' operating profits fell 30 per cent to £15.6m. It closed three North Carolina plants last year with the loss of 300 jobs, and is planning further closures, probably in knitting and dyeing.

Dawson's other division, Premier Brands, which includes its mostly cashmere-based luxury goods business, saw gains in sales and market share.

Dollar strength helped both, and the division reported operating profits 60 per cent up at £21.56m (£13.52m).

Mr Nick Kuenssberg, chief executive of Premier Brands, said that order books were "quite good, but shorter than we would like them to be."

Earnings per share rose to 13.3p (11.5p) and the dividend is held at 9p via a proposed unchanged final of 6.1p.

Dawson shares fell 6p to 215p.

**● COMMENT**

Dawson's good businesses are very good and its bad ones are appalling. Can the company turn the failures round while *insulating* the successes from recession? It will not be easy. The problems in the US are more structural than cyclical: retailers learn to use just-in-time delivery to force suppliers to carry the risk of holding stocks, while the North American Free Trade Agreement threatens to increase competition from low labour cost plants in Mexico. The prospects for the luxury garment are better thanks to the strength of the brands, but still depend on the willingness of the wealthy to splash out. Even with the help of a stronger dollar, the company will do well to make £36m in pre-tax profits this year. The p/e ratio should be a little more than 15½, a 10 per cent plus premium to the industrials which seems hard to justify.

# S Wales Electricity dividend rise reinforces industry trend

By David Lascelles, Resources Editor

SOUTH WALES Electricity (SWALEC) announced a 14.9 per cent dividend increase yesterday, reinforcing the trend towards high pay-outs in the regional electricity industry.

The Cardiff-based utility is recommending a final dividend per share of 15.7p, bringing the total for the year up to 22.3p. The increase came with a 19.3 per cent rise in pre-tax profits to £87m, equivalent to an 18.3 per cent rise in earnings per share to 60p.

Mr Wynford Evans,the chairman, said: "The strategy we have consistently implemented since flotation is reflected again in this year's very satisfactory results. Cost reduction targets are being achieved, customers are benefiting from lower prices and we are maintaining a progressive dividend policy for shareholders."

Comparisons with the previous year's result were complicated by earlier losses in the retail unit and its subsequent disposal. But SWALEC said that ongoing businesses increased their overall profit contribution by 1.6 per cent despite tariff reductions totalling 3 per cent.

The total amount of electricity distributed increased by 0.4 per cent, led by the commercial market, and costs in this segment of the business were reduced by nearly 5 per cent.

Tariff reductions and a £4m investment in a new computer system for customer service led to a £2m fall in operating profit to £68.5m.

The supply business contributed £5.8m, up from £3.1m the year before. The contracting business, which was expanded with the £5.4m acquisition of Phoenix Electrical, cut its loss to £2.3m from £3.8m after providing £1.1m for manpower reductions. During the year, the company paid off its debt, and ended the year with £10m in cash. The financial position was strong, and the company was unlikely to gear up again in the short term, according to Mr David Myring, group finance director.

The new Teesside gas-fired power station in which SWALEC has a 7.7 per cent stake is now supplying 25 per cent of its franchise market. The company is also entering the wind power and natural gas markets.

**● COMMENT**

Despite the strong result, the shares shed 2p to 546p. One reason could be a worry that SWALEC's above average rates of return will attract the regulator's eye. The company sells some of the most expensive electricity in the business, even allowing for the tariff cuts it made during the year, and some analysts were suggesting yesterday that SWALEC could prudently tone down its performance. Another strong factor is the balance sheet. With these results, SWALEC becomes the first REC to ungear, though others will follow before long. The result includes nearly £1m of net interest.

# Chloride loss deepens to £1.6m

By Peter Pearse

PRE-TAX losses of Chloride Group deepened from £1.41m to £1.58m in the year to March 31 but Mr Keith Hodgkinson, chief executive, was more keen to emphasise the electronics and batteries group's improved performance in the second half.

There is now only an African rump remaining from the once famous batteries business and Mr Hodgkinson said that discussions for its sale were "in progress".

That said, continuing activities on the batteries side were profitable, albeit reduced to £2.73m (£4.25m) on turnover down at £26.3m (£30.4m). Operating losses on the electronics side were static at £2.26m (£2.22m) on turnover trimmed to £73.9m (£79.7m). In the second half, however, the division was £13,000 in the black on turnover up at £39.8m, compared with the first six months' £2.27m loss on £34.1m.

The electronics products fall in three areas: uninterruptible power supplies for computers; emergency lighting, which relies on the construction market but will be helped by health and safety legislation and European harmonisation; and power conversion.

Mr Hodgkinson said it was only in the second half that management could be "focused" on running the ongoing businesses. The annual figures included above-the-line charges of £376,000 (dispute settlement costs), £1.11m (headquarters moving costs), and £916,000 (losses on disposals), all of which were taken in the interim results.

Losses per share grew to 2p (1.8p) and there is no dividend.

# Devro float gives £224m valuation

By James Buxton

DEVRO, the Scotland-based company, which claims to be the world's leading maker of sausage casings made from the natural protein collagen, is valued at £224m in a flotation in which the issue price is 170p. It will raise £76.6m for the company.

The flotation, sponsored by Charterhouse with NatWest Wood Mackenzie as brokers, involves placing 52m ordinary shares, primarily with UK institutions, and offering 28m shares to the public. Dealings begin on June 30.

On the basis of pro-forma earnings of 10.5p per share for the year ended December 31 1992, the issue price represents a historic price earnings ratio of 16.2.

**● COMMENT**

This flotation offers investors the chance to buy a niche company with the market and technological power of a multinational. It has a commanding position in a world that few people think about, or even care to. But investors need not squirm. With a share of its main market three times that of its nearest international competitor (and there are only three of them) Devro's operating ratios and cash flow are astonishingly robust. Barriers to entry by competitors are high. Any downside includes of exposure to EC legislation on food, developing country risk and continuing competition from cheaper gut which is dominant in Germany. The offer is finely priced exactly in line with the rest of the food sector with a prospective PE of 13, assuming pretax profits for the full year of about £25m and final dividend of 4.5p. But it should be popular with institutions, though the retail market may require more education. The shares should go to a healthy premium.

# Victaulic shares fall 20% on warning

By Deborah Hargreaves

THE STOCK market wiped 20 per cent off the value of shares in Victaulic yesterday after the pipe and fittings supplier to British Gas warned that it had seen a drop in its turnover in the first half of the year.

The company says it is suffering from a downturn in investment in pipeline infrastructure at British Gas because of the uncertainty created by the Monopolies and Mergers Commission inquiry into the company.

"We were down last year, but the situation has deteriorated even further this year and we're about 30 per cent off where we were in 1991," said Mr David Stewart, managing director.

The company said the delay in the publication of the monopolies commission's report had cast a deeper cloud of uncertainty over the industry. The commission is due to deliver its report by the end of July – it was granted an extension to delay publication from April.

Victaulic said the reduction in activity levels would lead to pre-tax profits for the half year being up to 20 per cent lower than in 1992.

In the first half of 1992, Victaulic made a profit of £6.9m on sales of £51.2m.

The company's shares dropped yesterday from 315p to 253p.

Victaulic's experience is widespread across the gas supply industry, according to Mr John Cull at the Society of British Gas Industries. "Companies have seen their marketplace continue to tumble over the past year with a dramatic effect on all parts of their business," he said.

# Southern Water rises 4%

By Angus Foster

SOUTHERN Water, provider of water and sewerage services to much of the English south coast, yesterday reported a slight rise in profits, mainly due to price increases.

Pre-tax profits rose 4 per cent from a restated £115m to £119m in the year to March 31.

At the interim stage, profits declined by £1.4m to £60m after the prior year figure was lifted by £6m upon reclassification of an exceptional profit.

Turnover increased by 10 per cent to £319m (£291m). But control of operating costs led to a 13 per cent increase in trading profits to £119m.

Mr Ray King, group finance director, said measured sales and trade effluent continued to fall because of recession, and showed "no signs of an upturn."

Southern's appointed water and sewerage business increased trading profits by 12 per cent to £111m. Its unregulated arm, which includes waste management and engineering divisions, increased profits from £7m to £8.4m on turnover of £77.7m. However, only 26 per cent of unregulated sales were external to the group. The company produced no breakdown for extra-group profits.

There were interest charges of £200,000 against interest income of £3m.

This mainly reflected lower interest rates on deposits, as the year ended with net cash of £15.5m (£1.7m).

The company disconnected 3,700 customers during the year, compared to 2,900. The bad debt provision rose £900,000 to £7m.

Earnings increased by 3 per cent to 66.3p (64.2p) and excluding exceptionals 66.3p (60.5p).

The final dividend of 14.2p makes a total of 21.3p (19.5p).

The shares fell 4p to 505p.

**● COMMENT**

By announcing results at the end of a draining water reporting season, on the same day as its more glamorous cousin Severn Trent, Southern did little to cast off its reputation as a rather dull, predictable company. Ahead of the industry's periodic review, when regulatory risk may not bring reward, Southern's image may be no bad thing. Nevertheless, yesterday's figures were slightly flattered by planning and capital spending hold-ups. It is still extremely difficult to see through Southern's non-regulated profits. And Ofwat, as well as the company's customers, will have taken note of the high disconnection levels. Full-year profit forecasts of £127m put the shares on 7 times, with a yield of 6. As with the rest of the sector, only the brave are buying now.

# Way cleared for another media deal for Pearson

By Raymond Snoddy

*THE completion of Pearson's* £99m acquisition of Thames Television clears the way for another potentially large media deal by the publishing, industrial and banking group.

Mr Frank Barlow, the managing director of Pearson, owner of the Financial Times, is interested in the consortium now being put together to bid for the film interests of the Rank Organisation.

Mr John Whitney, former director general of the Independent Broadcasting Authority and Mr Michael Grade, chief executive of Channel 4, have put together a small company called Premier Media to raise between £300m and £400m to bid for Rank's film businesses.

These range from an important film library and film distribution business to Pinewood studios, the Odeon cinema chain and video duplication.

Rank executives have denied their film businesses are for sale although the company has debt of around £1bn.

In the past few months Pearson has been preoccupied with completing the Thames deal which went unconditional on Wednesday. Premier Media now expects talks with Pearson to get more serious.

Both Lord Blakenham, the Pearson chairman and Mr Barlow have made it clear recently that they want to create a major television division for the company.

Nothing has been agreed between Pearson and Premier, but one possibility looked at would envisage the publishing group taking a majority stake in the consortium.

# Cater Allen at £11.7m and has good start to year

By Catherine Milton

*CATER ALLEN, the financial* services company which owns London's second biggest discount house, yesterday reported net profits of £11.7m for the year ended April, against £8.13m a year earlier.

It also disclosed for the first time full details of profits and reserves at its discount house and Jersey bank, anticipating compliance with the European Community's second banking directive this year.

On the new basis, pro-forma pre-tax profits were £18.78m (£13.44m). Shareholders' funds of £83.3m were boosted by the transfer of previously hidden reserves of £2.15m and of £5.41m "rebate" representing the excess of market value over carrying cost of its trading assets.

On the old accounting basis, the discount house, about half the group's business, had profits after tax and rebate of £5.33m (£3.5m). The discount house did not make or lose "a great deal" following Britain's withdrawal from the exchange rate mechanism last autumn and subsequent falls in exchange rates.

Losses at Lloyd's agencies deepened from £473,000 to £1.26m due to the lack of profit commission on the 1990 year of account and to the reduction in its agencies' fee income for the current year.

The board, which said trading had started well this year, proposed a maintained final dividend of 20p, giving a total for the year of 27p (26p). Directors currently intend to raise the next interim dividend by 1p to 8p.

## Correction

### CIA stake

CIA, the media-buying group, has agreed to buy a 45 per cent stake in Blufin of Italy and not 5 per cent as reported yesterday.

# Hardy Oil welcomes PRT transitional relief

By Deborah Hargreaves

HARDY OIL & Gas, the North Sea oil explorer, showed the effects of the government's proposed changes to petroleum revenue taxes yesterday when it recommended a flat dividend in spite of a jump in profits.

But Mr Peter Elwes, Hardy's managing director, welcomed the government's offer of transitional aid to help smaller companies to cushion them from the immediate effects of the tax changes.

Pre-tax profits for the year to March 31 were £3.34m (£3.07m) on turnover of £50.7m (£41m). Earnings per share were 11.3p (8.3p) and an unchanged dividend of 1p is proposed.

There were petroleum revenue tax credits of £7.8m (£4.4m), pushing up retained profits to £9.28m (£6.33m).

The profit increase came largely from a rise in volumes of oil and gas produced which rose by 8 per cent. Gas production in the US more than doubled and there were exploration successes in the US, Canada and Australia. Production is expected to increase by 20 per cent this year.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| AAH | fin | 11.5 | - | 10.95 | 17.3 | 16.35 |
| Bradstock | int | 1.55 | Sept 28 | 1.45 | - | 5.1 |
| Brockhampton Hdg | fin | 5.3 | Aug 26 | 3.3 | 7.5 | 3.95 |
| Cater Allen | fin | 20 | July 31 | 20 | 27 | 26 |
| Dart | fin | 2 | Sept 1 | 2 | 3.3 | 3.3 |
| Davenport Knit | fin | 8.525 | Oct 1 | 8.25 | 8.525 | 8.25 |
| Dawson Intl | fin | 6.1 | - | 6.1 | 9 | 9 |
| Electra Invest | int | 3.45 | Aug 11 | 3.3 | - | 6.7 |
| GEI | fin | 2.47 | - | 4.85 | 4.94 | 7.32 |
| Grainger Trust | int | 1.2 | July 30 | 1.2 | - | 5.25 |
| Hardy Oil & Gas | fin | 1 | - | 1 | 1 | 1 |
| Kleinw't Charter | int | 1.25 | Aug 6 | 1.25 | - | 5 |
| Locker (Thos) | fin | 0.65 | July 2 | 0.65 | 1 | 1 |
| Oceana Cons | fin | 1.5 | July 30 | 1 | 1.5 | 1.5 |
| Regalian | fin | nil | - | nil | nil | 1.5 |
| River Plate Tst | int | 3 | July 30 | 3 | - | 8.9 |
| Safeland | fin | 0.44 | Sept 6 | 0.14 | 0.5 | 0.28 |
| Severn Trent | fin | 14.1 | Oct 1 | 12.9 | 21.1 | 19.3 |
| Southern Water | fin | 14.2 | Oct 1 | 13 | 21.3 | 19.5 |
| S Wales Electric | fin | 15.7 | Oct 1 | 13.6 | 22.3 | 19.4 |
| Tor Investment | int | 10 | July 30 | - | - | 40 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

# BAe looks to eradicate the unpleasant surprises

**Bernard Gray** examines the rehabilitation that has taken place since the dark days of last September

BRITISH Aerospace's rehabilitation has been almost as rapid as its fall from grace. In the latest spurt of corporate spring cleaning, all of BAe's operating companies will be hived down into subsidiaries from July 1 if the company's bankers give their approval.

The move will help protect BAe's ability to pay dividends by shielding the holding company's reserves from accidents in subsidiaries. Because the missiles and Jetstream aircraft businesses have been split into separate subsidiaries it should also be easier to find joint venture partners for the businesses. Hiving down also defends BAe's tax position, allowing it to continue to make use of previous tax losses.

That extra flexibility and security will build on the success since the dark days of last September. At the low point BAe had to write off £1bn pounds in the regional jet business and had to apply to the courts for a capital reduction so that it could continue to pay dividends.

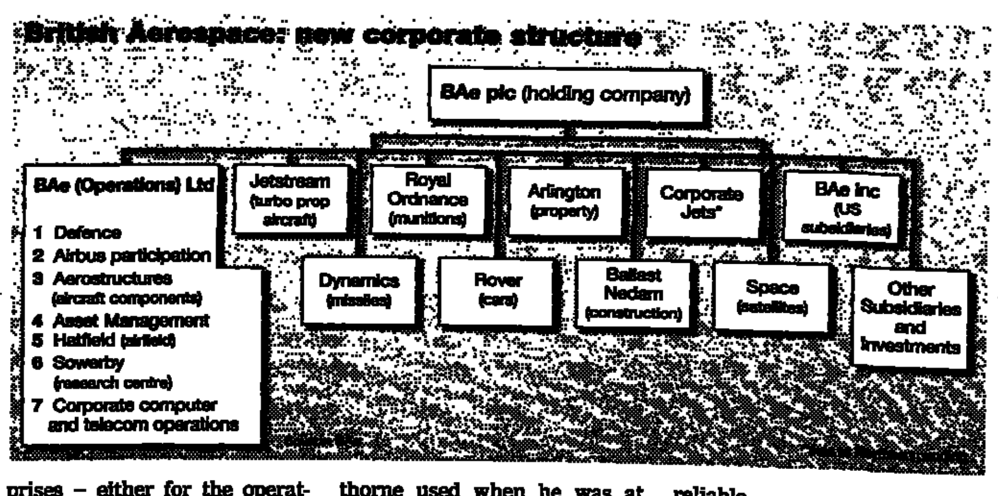
The shock of the losses was described by Mr Richard Lapthorne, the finance director, as, "a very expensive education which is still having an impact throughout the company." Since then the company has met the objectives it set itself getting orders and selling businesses, and that has at least partly restored the company's credibility with the City.

Yet while the sales and orders have been crucial in securing BAe's future, the company has also had to put new systems in place to ensure that a disaster on the scale of the *regional jet losses does not* happen again.

A new management information system, based on the BTR model, was introduced by Mr John Cahill, the chairman, last year. It places emphasis on how the monthly figures fit into the annual budget and any deviations are immediately flagged.

"By looking at variances you can spot potential trouble spots and start a dialogue with managers immediately," explains Mr Lapthorne. "If there are good reasons for the deviation then at least you know what is going on in the business. If there are problems you can start sorting them out. It also helps managers think about what is happening in their own business and how they can improve it."

There is nothing revolutionary in the approach. Indeed, it is an indictment of BAe's past practice that such systems were not in place before. But Mr Lapthorne says that the objective now is to create a company which does not produce unpleasant financial surprises – either for the operating managers or for the City.




Because BAe is involved in very long-term projects, it has several levels of planning. The longest view comes from the "product life cycle" evaluation. That tries to gauge the profitability of a project from cradle to grave – which in the case of military aircraft can be 40 years. This forms the basis for a rolling 5 year plan which has firmer numbers attached. Both of these were originally developed within BAe.

The annual budget owes much to Mr Cahill's BTR background and is used as the basis for the management information system. Board reports are based on a model Mr Lapthorne used when he was at Courtaulds.

These tools – particularly the management information system – are expected to form a framework for handling the business which will change the way managers think throughout BAe. The hope is that it will help avoid misunderstandings between senior and junior managers by creating an unambiguous starting point for discussions. It will also be used by line managers as the method for analysing where profits are made in a business and where the risks lie.

By applying the lessons, local operations can improve. The system should make BAe finances more transparent and reliable.

Mr Lapthorne says that the new structure puts greater emphasis on meeting annual budget targets, which have in the past been subordinated to the long view and high hopes about projects have prevailed.

The company is also looking for ways to tidy up its aircraft lease book – one of the areas which caused most trouble at regional jets. If current plans are implemented, the full costs of providing for the possible early termination of a lease will be taken at the time that the aircraft is sold. Salesmen will thus be fully aware of the real profit on any deal immediately.

As with the management system, it will not necessarily prevent loss leading sales to get a new aircraft established, but it will make clear to everyone involved the full cost of the decision.

Arguing that not all the good ideas come from new arrivals, Mr Lapthorne points out that the lease provisions scheme was devised by the group treasurer, Mr Tony Rice, who has been with the company for 8 years. BAe is also suggesting the technique to its other Airbus partners.

At the heart of the new approach is the teamwork between Mr Cahill, Mr Dick Evans the chief executive who runs the defence business directly, Mr Lapthorne and Mr George Simpson who has responsibility for Rover. "We are all very different individuals," says Mr Lapthorne, "but we mesh together extremely well. None of us really minds losing an argument to one of the others."

There is also a clear desire to steadily transform the culture of the group and secure its position as a profitable defence and aero-structures company. That is a long-term project and, in sharp contrast to last September, the fear is now that the enthusiasm will get out of hand. The company has flattered to deceive before. It seems well aware that it cannot afford to do so again.

# Few emerge unscathed from Astra fall-out

**Richard Gourlay** reports on the findings of the DTI investigation into the failed munitions group

THE biggest revelation to emerge from the Department of Trade and Industry report into Astra Holdings, the collapsed munitions group, is that its existence as a publicly quoted company was based on a lie.

Falsified invoices in 1986 allowed Astra to meet a profits forecast that in turn allowed it to reverse into the publicly quoted Sumner group.

This gave Astra its foothold on the 1980s acquisition path that led to its fateful purchase of PRB, the Belgian munitions company and a footnote in history as a supplier to Iraq's "supergun" project.

The cast of characters caught up in Astra's rapid rise and fall were quick to clutch at this new information yesterday. If, as appeared, Astra directors were prepared to perpetrate a fraud from day one, normal City and accounting regulations would never have prevented them, one close observer said.

But the fact remains that few of the cast emerged unscathed from the investigation. The Stock Exchange, auditor Stoy Hayward, Astra's financial adviser PaineWebber, Mr Gerald James, Astra chairman, Mr Christopher Gumbley, managing director, and other directors are all criticised.

After three years of research, the report describes how Astra was transformed from a small southern England fireworks manufacturer into a multinational munitions company.

It shows how the "disastrous" 1989 acquisition of PRB – culminating in a complete write-off of the investment in March 1990 – may have been a necessary fig leaf to cover up Astra's underlying cash flow problems. And it reveals a string of sloppy accounting controls, rash management decisions and deliberately misleading statements from at least one Astra director, Mr John Anderson.

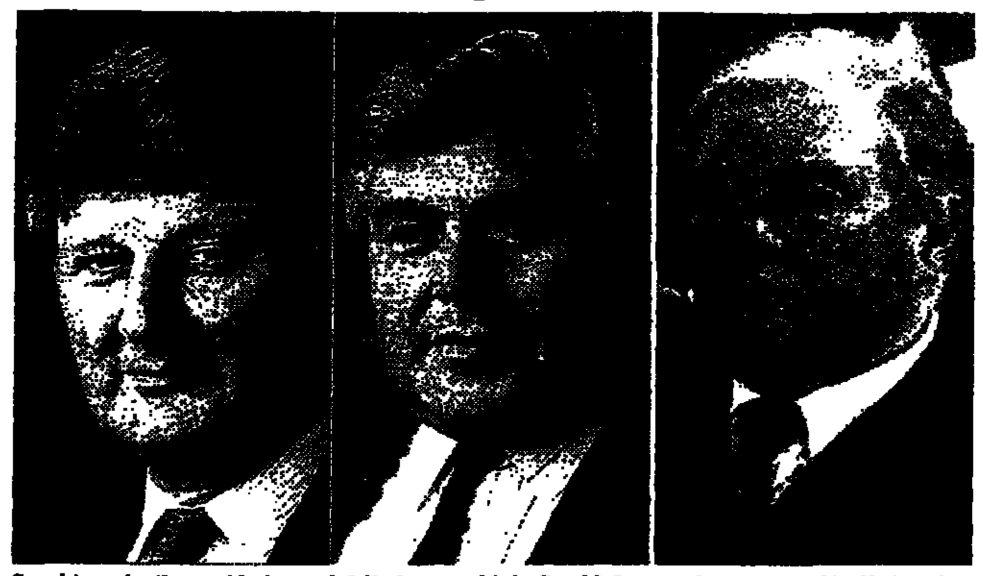
Stoy Hayward, Astra's auditor, pointed out some of the risks of the PRB transaction. But the report criticises the Stock Exchange for allowing the circular concerning the £20.8m acquisition and the accompanying £36m rights issue to be issued without the normal 5.15 letter that confirms the health of a company's working capital. This should have been provided by PaineWebber.

The report implies that Astra may not have been saved from collapse had it not made the PRB acquisition. But at least shareholders, who had financed most of the group's apparent growth, would have been saved from pitching the last £36m into the pot.

Stoy Hayward in particular is criticised over Astra's cash flow situation ahead of the PRB acquisition. The firm knew Astra would only have enough working capital if it effected its proposed asset sales by the summer of 1990. But, the DTI says, Stoy Hayward did not explore how realistic was the disposal programme.

"Stoy Hayward did not do so, but simply accepted that the proposed asset disposal programme could and would enable the group to raise sufficient cash by the summer of 1990."

Stoy Hayward said yesterday that it had been ready to discuss the working capital letter at the completion meeting in 1989. In the event the market for asset sales weakened markedly.



Caught up in the rapid rise and fall: former chiefs Gerald James, chairman, (left), Christopher Gumbley, managing director (centre) and Stephan Kock, non-executive director

Also criticised in the main section of the DTI report is PaineWebber, which acted as financial adviser to Astra and brought the PRB acquisition to Mr James. PaineWebber's initial draft of the chairman's statement to shareholders at the time of the PRB rights issue "was manifestly inadequate.

"Paine Webber wholly failed to take any steps towards the production and signing of the paragraph 5.15 letter," which concerned the working capital situation. The omission was "inexcusable," the DTI said.

PaineWebber also should not have allowed Astra to say that the board "advised by PaineWebber" considered the rights issue and the PRB acquisition to be in the interests of Astra and its shareholders. The DTI accepted that PaineWebber had not intended the use of its name to be misleading.

The DTI is perhaps most revealing about Astra's arrival on the public scene.

In 1985 Hichens Harrison, Astra's stockbroker, raised £611,000 through a share placing to expand the equity base and provide working capital for the expansion of "military, marine and commercial pyrotechnics."

The placing and the subsequent reverse takeover of Sumner were based on Astra's profit forecast of £300,000 for the year ending March 1986.

In fact Astra reported £340,024 of profit. But the DTI said £240,000 of that arose from a false invoice created by Mr James and Mr Anderson "to show profits for the year of an acceptable level."

The report said "Mr James and Mr Anderson subsequently provided funds of their own . . . for the settlement of the invoice."

Mr Anderson, denied all knowledge of the false invoice. But the DTI said his evidence was "throughout untruthful and that he was deliberately intending to mislead us."

The investigators said they were "unable to make any finding as to whether Mr James was involved in the creation and/or subsequent settlement of the invoice." He did however know about it, but was unprepared to tell the DTI. Mr Gumbley also knew of the story, but he too "was deliberately attempting to divert us (the DTI) from the true story."

The DTI says of the auditors at the time that "there is no evidence at all to suggest that Stoy Hayward either were, or should reasonably have been aware of the fact that the invoice was a false one."

Some of the DTI's most damning conclusions are reserved for accounting issues, comments that underline the laxity of some public company reporting.

The inspectors said Astra's 1988 and 1989 published accounts gave little indication of the importance of acquisitions to profit growth. The overall impression was of a group successfully consolidating and developing existing businesses.

In fact Walters Group and Gilgore, acquired in 1988, contributed more than 100 per cent of Astra's recorded pre-tax profits. The next year the acquired British Manufacture and Research Company also made more than 100 per cent of group profit.

"Without the two acquisitions the Astra group would have reported losses for each of those two years," the report said. The accounts gave no indication of this.

Stoy Hayward had no record of oral or written representations from Astra as to the company's claim that to break down the acquired companies' profits would prejudice commercial interests.

# DTI inquiry focuses mainly on finance

By David Hellier

THE DEPARTMENT of Trade and Industry's 545-page report into Astra focuses primarily on financial issues and largely ignores several external factors which some, especially former directors, blame for the group's demise.

The company became very publicly embroiled in the Iraqi "supergun" affair in September 1989 when directors Mr Gerald James, Mr Christopher Gumbley, Mr Stephan Kock and Mr John Pike discovered that propellant to be supplied to Jordan by PRB, Astra's newly acquired Belgian subsidiary, was destined for a large gun in Iraq.

The contract was stopped in spite of considerable opposition from the management of PRB, who feared that the company's future business in the area would be seriously undermined. The Astra directors informed British intelligence of their suspicions, and last year provided evidence to that effect to the Department of Trade and Industry's select committee inquiry into the supergun affair.

Astra's warning came a full five months before government ministers claimed that they knew of the gun's existence.

According to Mr James, many of PRB's problems in meeting its future targets were related to this decision and the subsequent change in climate towards the export of defence equipment to Iraq or any of its conduit countries. This issue is barely dealt with in the report.

Mr Gumbley, the company's former chief executive, who served four and a half months in prison on two corruption offences, yesterday said that the loss of the propellant contract caused the company "grave damage".

He added that "we thought it was better to be legal than illegal." He said that prior to his departure from Astra he had tried to investigate allegations of large commission payments to PRB employees which were seriously affecting that company's profit margins. This issue is barely looked at in the report.

PRB's problems cannot be blamed entirely on events after Astra's acquisition. Its very poor financial condition was not entirely clear to Astra at the time of purchase.

The report does not refer either to a controversial explosives agreement struck between the Ministry of Defence and Royal Ordnance which effectively cut Astra out of the £400m a year ammunition market. This caused the company's 1988 acquisition of BMARC to look seriously overvalued and led to financial problems ahead of the ill-fated acquisition of PRB.

The inspectors say in their report that Mr James's evidence to them covered a wide range of subjects, certain of which apparently had little or no direct connection Astra.

# Acquisitions help AAH to £37.3m

By Peggy Hollinger

ACQUISITIONS costing £84m helped to boost AAH, the pharmaceuticals distribution group, which yesterday reported a 16 per cent increase in annual profits before tax and exceptionals to £37.3m.

The profits, struck on sales ahead by 11 per cent to £1.4bn (£1.26bn), benefited from a £4.5m contribution from new businesses.

These included the purchase of 65 pharmacies, with a further 13 since the end of the year, for a total of 224, and the inclusion for four months of a drugs wholesaler in the Irish Republic.

The previous year's profits had been enhanced by a £6.6m exceptional gain on the sale of a business. In the absence of this gain, pre-tax profits under the FRS 3 accounting standard fell from £38.8m to £37.3m for the year to March 31.

Mr John Padovan, who took over as chairman in December from Mr Bill Pybus, the incumbent for the previous 25 years, said the group had achieved growth in spite of a "generally tough climate."

Efforts had been directed at cutting costs, such as closing four of the 27 depots, and improving efficiency.

The greatest growth was in the healthcare division, which saw trading profits rise from £26.7m to £31.3m on sales up from £1bn to £1.2bn.

AAH had successfully integrated the Dutch drugs wholesaler Medicopharma, the acquisition of which was the subject of an MMC inquiry last year, and had entered the Irish market with the I£25m (£24.5m) purchase of Cahill May Roberts.

Recession hit consumer products distribution and builders supplies, where profits fell from £2m to £800,00 and from £2.6m to £2.3m respectively.

A shift in focus at the distribution business to contract work and the higher value food market helped profits jump from £600,000 to £2.8m.

Environmental services reported a 9 per cent increase in profits to £4.7m on sales 37 per cent ahead to £69.1m.

The dividend was increased by 5 per cent to 11.5p for a total of 17.3p (16.35p). Earnings came to 32.8p (31.8p).

AAH finished the year with gearing of 14 per cent, after paying for the acquisitions and £24m in capital expenditure.

**● COMMENT**

The healthcare division continues to forge ahead, with little sign of any significant slowdown. Proposed changes to the NHS are more likely to affect manufacturers than the middlemen. In the current year, AAH is likely to benefit from a steadier performance in Ireland and the purchase of more pharmacies. In its other businesses, the group will have to wait for economic recovery like everyone else. Forecasts for the current year are for £45.5m, with a prospective p/e of about 14 times. This, combined with the yield of 4.6 per cent, leaves the shares looking somewhat undervalued.

# Regalian loss soars to £83m

By Vanessa Houlder, Property Correspondent

REGALIAN Properties incurred a pre-tax loss of £83.5m for the year ended March 31, after taking further provisions against the falling value of its property portfolio. Last year the loss was £26.8m.

The dividend is passed; previously there was an interim of 1.5p. Net asset value per share has fallen from 104.8p to 36.5p.

Mr David Goldstone, chairman, brushed aside the losses and said he "took a very positive approach" to the future. "We must have turned the corner," he said.

Further reductions of borrowings this year would "enable the company to exploit its expertise in inner city residential projects," he said.

Net bank debt has been reduced from £130m to £42m since March 1992. Regalian's banks have extended its facilities to December 1994.

As well as taking £52.9m provisions against stock, the company made £22.1m of exceptional items including a £7.2m loss on the sale of a Southwark office building.

About half of the £44.9m provisions against residential property were against Kensington Palace Gardens, the luxury block of flats near Kensington Palace. Regalian has now sold nine out of the 20 flats.

Provisions of £14.8m were made against development sites to reduce the carrying value to £4.5m.

Mr Goldstone said that the office development market showed "very little, if any improvement." Regalian was rethinking its scheme at Bishopsbridge in Paddington, which is a joint venture with NFC. It was prudent to consider "an alternative form of development, primarily residential where there would be an immediate demand, with offices in the later phases," it said. It has taken a £5.4m provision against the site.

A £2.7m provision was made against a site in Cardiff, which will not be developed until the market improves.

Turnover fell from £98.9m to £55.4m. Losses per share increased from 19.74p to 68.29p. The 1991-92 figures have been adjusted for FRS 3.

# MMI makes two buys and losses deepen

MMI, the financial and corporate communication company, has announced two acquisitions and increased pretax losses of £473,000 in the year to February 28. Losses last time were £383,000.

It is buying Pelham, the marketing company, and Mediamix, the publishing services company. The consideration is being satisfied by the issue of 9.72m shares, of which all but 1.65m have been conditionally placed at 22.5p. Some 4.22m shares are subject to an open offer to shareholders.

MMI's shares were suspended at 25p in May.

A further profit-related payment for Pelham to a maximum of £621,000 is to be paid and a profit-related payment to a maximum of £1.1m is due to the management of Park Avenue, Pelham's main operating company.

The results were affected by a decline in the core BES business where turnover declined to £396,000 (£689,000). There were also start up costs and initial trading losses of an offshoot and the settlement of litigation.

# Net assets show 14.7% improvement at Electra Investment Trust

By Philip Coggan, Personal Finance Editor

ELECTRA Investment Trust yesterday announced a 4.5 per cent increase in interim dividend and a 14.7 per cent rise in net assets over the six months to March 31.

The trust mainly invests in unquoted equities, which have suffered badly in the recession. The end-March net assets per share, at 318.65p, were still below their September 1989 level.

However, Mr Michael Stoddart, chairman, said in his statement to shareholders that "I believe that the worst is over. The majority of companies in our portfolio look to be set for better times and we should start to see a gradual increase in the underlying values.

"All in all, while maintaining a cautious approach to the US and UK economies, I do believe that the outlook for your company is more encouraging than it has been for some time."

Mr Hugh Mumford, a director of Electra, said that the asset increase was prompted by three factors: an increase in smaller company share prices since Black Wednesday; an increase in the valuation of the UK portfolio, as unquoted companies gained listings; and a revival in the fortunes of some of the UK unquoted holdings, as lower interest rates helped their operating profits.

The trust's portfolio is now split as to one-third listed and two-thirds unlisted companies.

Of the quoted portfolio, 75 per cent is in the UK. Of the unquoted, 40 per cent is in the US and 60 per cent in the UK.

The total net assets of the trust at end-March were £551.4m. The trust's pre-tax profits were £9.43m, up from £8.78m in the first half of last year.

The interim dividend is raised to 3.45p (3.3p), payable from earnings per share of 3.5p (4.23p).

# Safeland advances 45% to £242,000

PRE-TAX profits of Safeland, the property group, advanced by 45 per cent, from £167,000 to £242,000, in the year to March 31.

The outcome was achieved on turnover up by £5.25m to £13.8m and after reduced interest payable of £652,000 (£923,000).

A final dividend of 0.44p (0.14p) makes an improved 0.5p (0.28p) total, payable from earnings per share of 1p (0.6p).

Mr Raymond Lipman, chairman, said there were now signs of greater activity within the property market, but there was still a degree of uncertainty.

The chairman added that since the year end Safeland had formed a new subsidiary, Heritage Insurance Services, which would specialise in property insurance for the group's own portfolio.



## NEWS DIGEST

### Tighter margins hit Dart

TIGHTER MARGINS in aviation services and the cost of introducing Electra freighters into European service hit the profit of Dart Group.

In the year ended March 31 1993 it lifted turnover from £37.4m to £42.8m, but saw pretax profit fall from £1.88m to £1.66m.

The introduction costs would be fully depreciated during the present year, Mr Philip Meeson, chairman, assured shareholders.

The largest operation within aviation services is Channel Express (Air Services) which operates 11 freighter aircraft on contract services, and leases additional capacity when necessary.

On the distribution side, the group specialises in the nation wide moving of cut flowers and pot plants, and the importing of ornamental fish from suppliers throughout the world.

Earnings per share came to 7.5p (9.4p). The final dividend is 2p, for a maintained 3.3p total.

For the current year there were indications of improved performance, and trading so far was encouraging, said Mr Meeson.

### Kleinwort Charter assets increase

Over the six months ended May 31 1993 the net asset value per share of the Kleinwort Charter Investment Trust rose from 190.7p to 204.9p.

At May 31 1992 it stood at 188p.

On June 3 the trust raised some £15m through the issue of 9¼ per cent debenture stock 2023. Using a pooled vehicle, Fintrust Debenture, a total of £85m was raised in conjunction with three other Kleinwort Benson managed investment trusts.

Revenue for the six months to May 31 came to £3.43m (£3.8m) and earnings per share worked through at 2.2p (2.42p). The interim dividend is unchanged at 1.25p.

### Bradstock advances 8% to £4.57m

Bradstock Group, the insurance broker, reported an 8 per cent increase in pre-tax profits from £4.23m to £4.57m in the six months to March 31. The improvement was led by the direct brokerage activities.

Turnover rose from £12.3m to £14.4m. Earnings per share were 5.32p (4.65p). The interim dividend is raised to 1.55p (1.45p).

### Finsbury Smaller calling for £10m

Finsbury Smaller Companies Trust is raising some £10m before expenses through a placing and open offers, fully underwritten by SG Warburg Securities.

The directors believed that the UK economic recovery was gradually underway and that shares in smaller companies were likely to outperform those of larger companies.

A placing and open offer of C ordinary shares will raise £7.5m, of which £1.5m can be subscribed in the open offer by ordinary holders.

A further £2.5m will come from an open offer of C preference shares to zero dividend preference holders, who can apply for any amount. The C ordinary and preference will convert into ordinary and zero dividend shares on or before December 31 1993.

Shareholders can apply for shares on the basis of a money amount rather than a specified number of shares. Dealings in the new shares are expected to start on July 13.

### Grainger Trust recovers to £0.94m

Grainger Trust, the property investor and trader, has reported an improvement in the first half to March 31 with increased pre-tax profits to £0.94m.

This compared with £0.63m in the previous first half and a £4.63m deficit in the year to September 30, which carried a exceptional costs of £6.7m.

The interim dividend is maintained at 1.2p on earnings per share of 3.2p (2p).

The results and comparatives have been prepared under FRS 3.

### GEI falls to £2.1m and cuts dividend

Pre-tax profits at GEI, the specialist engineer, fell to £2.1m for the year to March 31, compared with £2.8m. The figures were produced on an FRS 3 basis which cut the comparable by £300,000.

Turnover on continuing operations improved from £76.7m to £78.2m, with a further £516,000 (£1.22m) from discontinued activities.

About half the turnover and the majority of operating profits was achieved overseas. This has resulted in difficulties with the short term recovery of advance corporation tax and the company has written off £1.5m of ACT through the P&L account.

That has resulted in retained losses of £2.42m (£540,000). Losses per share were 1.62p (5.86p earnings). The proposed final dividend is cut to 2.47p making a total of 4.94p (7.32p).

### Brockhampton improves to £4.57m

Brockhampton Holdings, parent of Portsmouth Water, reported pre-tax profits of £4.57m on turnover of £23.9m in the year to end-March.

That compared with profits of £2.85m from £22m turnover.

This year's result included a £367,000 profit on the sale of fixed assets and was struck after net interest payable of £1.55m (£1.51m).

Earnings per share came out at 36.3p (21.1p) and the final dividend is being increased by 60.6 per cent to 5.3p making a total for the year of 7.5p (4.95p).

### Explaura set to raise finance

Explaura Holdings, the North American aggregates company quoted on the USM, expects to conclude discussions with a view to raising additional finance, and intends to issue a circular setting out details before the end of this month.

The company issued the statement in response to articles in the press.

### Asset increase at River Plate Trust

Over the 12 months ended April 30 net asset value of River Plate and General Investment Trust rose from 108.1p to 124.7p.

For the half year to that date, gross revenue totalled £3.15m (£3.32m) and earnings per share worked through at 4.01p (4.14p). The interim dividend is again 3p.

### Greenwich Res cuts losses to £92,000

Reduced overhead costs helped Greenwich Resources, the gold and minerals producer, cut its pre-tax loss from £558,000 to £92,000 for the half year to March 31.

Mr Colin Phipps, the chairman, said the group now had all its main projects financed by joint ventures and other agreements.

Since the end of the half year, the company's working capital had been increased by the consideration paid by Bard for the option to participate in Venezuela and the second half would benefit from the receipt of the Bard payment, he said.

Although operating income halved to £30,000 (£74,000) administrative expenses and exceptionals fell to £131,000 (£651,000).

After tax of £2,000 (£31,000) losses per share dropped to 0.1p (0.9p).

### Davenport Knitwear rises to £1.45m

Davenport Knitwear, the Birmingham-based maker of knitted fabrics and garments, improved pre-tax profits by 18 per cent from £1.23m to £1.45m in 1992.

Turnover advanced to £8.65m (£7.54m). Earnings per share amounted to 56.72p (47.66p) and the proposed single dividend is lifted from 8.25p to 8.525p.

### Oceana Cons shares advance 34%

Shares in the Oceana Consolidated Company rose by 34 per cent yesterday after the financial services company reported sharply higher pre-tax profits of £837,000 for the year to March 31.

The advance from a previous £72,000 was achieved on sales up 26 per cent at £11.3m (£9m). Operating profit of £577,000 compared with a £96,000 deficit last time.

The shares added 17p to 67p and the company has increased the dividend for the year by 50 per cent to 1.5p on earnings of 10.10p (2.31p).

On sales of £11.2m (£8.98m) stockbroking contributed profits of £1.42m (£1.02m).

### Improvement at Thomas Locker

Despite charging £202,000 redundancy costs, Thomas Locker has increased its pretax profit from £347,000 to £421,000 in the year ended March 31 1993.

Turnover of the group, which specialises in the manufacture of handling and filtration equipment, rose to £37.6m (£36m). Operating profit was £331,000 (£231,000 loss) but share of associates' profits fell to £292,000 (£578,000).

Earnings per share came to 0.42p (0.44p). The final dividend is 0.65p for an unchanged total of 1p.

### Bowater to sell US company

Bowater is selling its US Custom Papers Group to an investment group which will include the senior management of that company.

Bowater bought Custom Papers in March as part of the acquisition of Specialty Coatings. It makes a broad range of specialty paper products and achieved has sales of about $90m (£60m).

# Return of a deal-maker

## Not everyone will be delighted to see Martin Landau back in the UK property market after three years' absence, writes Vanessa Houlder

The stock market has welcomed the return to the UK property market of Mr Martin Landau, the property entrepreneur, sending the share price of Clayform Properties soaring this week after he announced his plans to use it as a comeback vehicle. But not everyone will be pleased by the news. "A lot of people think I am a rat," he admits cheerfully.

The Church Commissioners might be one example. Mr Landau was, until 1990, deputy chairman of Imry Merchant Developers, which went into partnership with the Church in an ill-starred speculative development in Ashford, Kent. Imry offloaded some of its exposure to the project on to the Church two days after the government turned down planning permission for the development. "Those people do not love me," he concedes.

Some others acquainted with Imry might be similarly alarmed by Mr Landau's return to the property market, after three years of cooling his heels in the south of France.

Mr Landau, after all, was responsible for Imry's £1bn development programme. He had left the company by the time it collapsed in 1991-92, following its ill-judged takeover by a private consortium. The company's failure won it a place in corporate history by forcing its bank, Barclays, to take it into ownership and make the largest single write-down in the record books.

But some people who have followed Mr Landau's career closely would make a different assessment. They do not blame Imry's collapse on its own management, but on the consortium that loaded it with debt when it made a £314m takeover in 1989.

They might accept that some of Imry's developments proved expensive mistakes for the institutions that financed them – such as Postel's Rose Court at Southwark, south London, which is still unoccupied. But many of Imry's other partnerships profited both parties.

**Mr Landau's record has prompted a sharp rise in the share price of Clayform, in which he and a partner have bought a stake**

The main reason, however, why Mr Landau still commands some respect within the industry is that his judgment of the market has, so far, been unusually astute.

He claims that he forecast the property slump – "I said 1989 would be terrible; 1990 would be blood on the walls; 1991 would be jumping out of windows". But his reputation is based principally on his record at making money for his shareholders – and himself – through the 1980s until Imry's takeover in 1989.

Mr Landau, who originally trained as an accountant, became involved in property when he was sorting out the property interests of Guinness Mahon, the merchant bank, after the 1974 crash. The bank eventually formed a property subsidiary, Guinness Peat Properties, to develop some of the properties in which it was involved.

After heading this subsidiary for six years, he led a management buy-out of most of the GPP properties in 1986. In a series of deals, he created City Merchant Developers which was put into Rivlin, a quoted "shell" company, which then built up its asset base through acquisitions.

In 1988, City Merchant Developers merged with Imry International, led by Mr Martin Myers. When Marketchief, a private consortium, offered to buy the company for £314m in 1989, with the intention of breaking it up, Mr Landau recommended that the board accept the offer. He left the company soon afterwards, having earned £25m from his 8 per cent stake.

Mr Landau's record has prompted a sharp rise in the share price of Clayform, the small, ailing property company in which he and a partner Anthony Bodie, bought a 5 per cent stake at 14p a share. The news of their purchase sent the company's shares up from a close of 11p on Thursday night to 37p yesterday, as other investors followed his lead.

"There is a shortage of people in the sector who are perceived to be good," says Mr Chris Turner of BZW, the broker. "When you have someone who has a proven track record you can understand when people say they are interested in having a bit of the action."

The rise in Clayform's share price – which is being encouraged by Mr Landau's talks to the press and the City about his plans – seems to be an integral part of his strategy. He has indicated that he has a deal up his sleeve, which will be accompanied by a large fund-raising exercise. With a net asset value of 30p a share, Clayform's share price needed a boost in order to issue new paper without diluting its asset value.

Mr Landau wants to build the company up quickly. "I think we will do a quantum leap," he says. He is confident of his ability to attract funds. "I would say immodestly there are quite a few serious institutions who would like to back us," he says.

Mr Landau will not be drawn on details of his plans. "The overriding objective must be to improve net asset value, to have the company on a solid footing and to be in a position, by being big enough, to take advantage of situations as they occur," he says.

His strategy has three parts. First, Clayform needs investment property. "We need a solid balance sheet so we have income coming in which pays the overhead," he says.

Second, it will engage in developments, although not yet on a speculative basis. Rather, he envisages carrying out project management work or developing pre-let, pre-funded buildings. "It will always be looking at the bottom line of limiting risk," he says.

**'I would say immodestly there are quite a few serious institutions who would like to back us,' he says**

Third, he envisages taking over other companies in the sector, which can no longer justify their overheads. "A large number of people in the property sector are earning far too much money," he says.

He also hopes that his arrival will enhance Clayform's existing assets by taking it off a crisis footing. Clayform has already brought its debt down from £130m to £28m in the past two and a half years, but it still has gearing of 200 per cent. He says an injection of £20m would reduce gearing to 20 per cent and allow it to develop some of its sites. "For a comparatively small amount of money we can revolutionise this company," says Mr Landau.

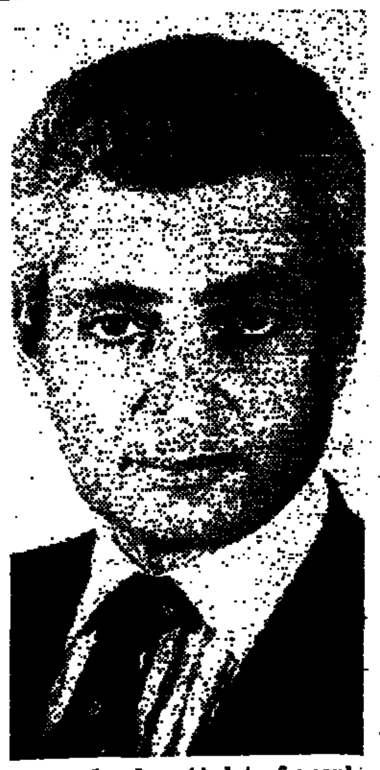
The heavily indebted Clayform might not seem the ideal shell company. But in a market glutted with moribund companies, Mr Landau found it surprisingly difficult to find a suitable vehicle. "We have been stalking UK public companies for 18 months," he says.

He looked closely at eight or nine companies, but dismissed them because of tax or financial complications. "People still had overblown ideas of what their companies are worth." Clayform was not judged suitable until it had disposed of Stead & Simpson, its shoe chain, in April.

Mr Landau's enthusiasm for the opportunities facing Clayform seems in some ways like a throwback to the boom conditions of the 1980s. But he is clear that some things have changed. "I don't think there will be a dramatic surge in values and activity," he says.

Furthermore, many of the people in charge of banks and institutions have changed. In the case of the banks there is currently a reluctance to lend money, particularly to developers.

Mr Landau is however confident that the banks will, in time, fund his projects. "In five years' time the banks will be piling in," he says. "Banks are very lazy. They won't lend it to farmers, they don't understand manufacturers, they won't lend to the third world, so they come back to lending to property . . . Bankers are definitely not very bright people."



Martin Landau: 'A lot of people think I am a rat'

Mr Landau's arrogance is matched by his ambition. As a man who has already made a fortune, his apparent motivation in returning to the property market is the thrill of building up a large company. He dismisses the possibility of a lifetime of "golf and shooting and fishing" or even "watching the vines grow in Tuscany" with a shudder.

"You have to get to the top of the tree," he says. "I don't think there is any limit if you have the ability, the desire and are honest."

## JOBS: Smaller companies' executive-pay league

# Where bosses are best off

ALTHOUGH the table to the right is one of the Jobs column's hardy annuals, this year it might seed fruitful thought for Britain's Labour Party.

After 14 years in opposition, its leaders must be looking enviously on the fourth term recently won by Felipe González's Spanish socialists. And oddly enough, on the table's evidence, one result of their policies has been to keep Spain's top bosses well off.

Before saying more on same, however, I'd better explain the table which, as before, appears here by courtesy of the European Remuneration Network, a consortium of 10 consultancies and institutes carrying out pay surveys.

Their latest combined exercise covers more than 38,000 executives employed by 3,486 assorted organisations in the United Kingdom and 11 continental countries.

Anyone wanting the full report – which contains far more data than I have room for, and is priced at £525 – should contact Michael Smith of the network's UK representative, P-E International at Park House, Wick Rd, Egham, Surrey TW20 OHW; tel (0)784 434411, fax (0)784 471404.

My extracts are confined to seven of the countries, and to companies in only two particular size-bands as measured by total numbers of employees. The first are those with up to 250 people on the payroll, the second group having between 250 and 1,000.

The reason why Germany is not among the countries, by the way, is that the report did not enable me to break down the data into those two size brackets.

While the separate surveys included in the exercise were made at different times of the year, the findings have all been updated in line with higher-pay movements to the end of last month. The continental currencies have been converted into sterling at the London closing exchange rates of June 10.

For each country and size-band, the table begins with managing directors. Then come four of their immediate subordinates whose order in the ranking varies from place to place: the heads of sales and marketing, production, finance, and personnel. But in the UK there were too few personnel heads in the smallest outfits to furnish worthwhile data; and not enough in the Netherlands to provide a full range.

In every case the table shows both basic salary and total pay received in money, including bonuses and the like. The lower quartile figures in light type relate to the executive who would be a quarter way up from the bottom of a ranking of all in the same country and type of job. The upper quartiles, again in light type, refer to the one ranked a quarter way down from the top.

The median figures in bold type refer to the executive midway in the ranking, and give not only the salary and total cash pay, but also a rough indication of buying power.

It is calculated by taking the total pay, deducting the country's standard tax and so on for someone married with two dependent children, then adjusting the result in line with P-E's index of differences in living costs at the exchange rates of June 10.

Alas, such indices cannot be more than a loose guide because technical difficulties prevent them from taking account of housing costs. But they are the best available gauge of purchasing power – which is, after all, what counts.

As may be seen, despite Spain's devaluation five weeks ago, its median managing directors in both size-bands top the buying-power list, although their subordinate departmental heads generally do worse than their counterparts in Switzerland and France. How's that for socialism?

**Michael Dixon**

*Organisations employing up to 250 people:*

| Country: Position | Lower quartile Basic salary £ | Lower quartile Total cash pay £ | Median Basic salary £ | Median Total cash pay £ | Median Buying power £ | Upper quartile Basic salary £ | Upper quartile Total cash pay £ |
|---|---|---|---|---|---|---|---|
| Spain: M.D. | 64,152 | 68,403 | 82,347 | 89,450 | 50,496 | 103,395 | 113,128 |
| Sales & mktg head | 39,782 | 43,449 | 46,580 | 51,692 | 33,562 | 55,906 | 60,971 |
| Production head | 35,735 | 38,619 | 43,959 | 46,893 | 31,253 | 52,926 | 56,532 |
| Finance head | 33,404 | 36,364 | 41,939 | 46,041 | 30,827 | 52,749 | 55,485 |
| Personnel head | 33,781 | 35,727 | 39,029 | 41,168 | 28,279 | 47,222 | 51,039 |
| Switzerland: M.D. | 64,798 | 76,906 | 76,457 | 84,305 | 48,397 | 86,323 | 96,413 |
| Sales & mktg head | 55,605 | 58,969 | 60,538 | 65,247 | 39,514 | 66,143 | 74,664 |
| Production head | 45,516 | 47,534 | 51,794 | 55,830 | 35,025 | 57,175 | 63,403 |
| Finance head | 48,206 | 49,776 | 52,242 | 54,933 | 34,581 | 56,726 | 61,883 |
| Personnel head | 43,498 | 45,516 | 48,655 | 49,776 | 32,020 | 52,242 | 57,848 |
| France: M.D. | 65,440 | 70,671 | 93,114 | 104,261 | 54,321 | 115,591 | 129,465 |
| Sales & mktg head | 55,057 | 62,765 | 76,425 | 87,126 | 48,038 | 101,003 | 115,145 |
| Production head | 29,866 | 33,455 | 56,150 | 62,886 | 36,280 | 63,298 | 70,892 |
| Finance head | 37,737 | 42,265 | 54,353 | 60,874 | 35,285 | 65,414 | 73,256 |
| Personnel head | 37,014 | 41,446 | 54,210 | 60,719 | 35,208 | 57,419 | 64,307 |
| UK: M.D. | 42,750 | 48,188 | 51,696 | 53,100 | 36,614 | 71,500 | 71,664 |
| Sales & mktg head | 35,000 | 36,400 | 41,000 | 42,500 | 30,254 | 49,000 | 50,050 |
| Finance head | 32,600 | 34,000 | 39,000 | 41,475 | 29,639 | 54,500 | 57,200 |
| Production head | 29,400 | 29,900 | 35,000 | 37,800 | 27,434 | 40,000 | 42,250 |
| Personnel head | – | – | – | – | – | – | – |
| Belgium: M.D. | 59,541 | 63,337 | 68,953 | 78,777 | 34,861 | 81,523 | 93,382 |
| Sales & mktg head | 47,507 | 53,113 | 53,493 | 74,139 | 33,426 | 69,354 | 79,462 |
| Finance head | 43,219 | 46,957 | 49,941 | 53,924 | 26,938 | 63,121 | 63,608 |
| Production head | 44,464 | 48,807 | 49,892 | 56,634 | 27,838 | 63,688 | 69,139 |
| Personnel head | 37,065 | 44,031 | 43,836 | 47,515 | 24,795 | 51,487 | 54,207 |
| Netherlands: M.D. | 55,963 | 60,235 | 68,582 | 77,379 | 36,449 | 84,561 | 94,975 |
| Sales & mktg head | 47,395 | 51,349 | 53,680 | 59,785 | 30,030 | 65,528 | 70,558 |
| Production head | 40,934 | 43,447 | 45,422 | 49,910 | 26,429 | 58,885 | 63,017 |
| Personnel head | – | – | 47,038 | 49,013 | 26,102 | – | – |
| Finance head | 38,957 | 41,654 | 47,935 | 51,526 | 27,018 | 58,347 | 62,120 |
| Denmark: M.D. | 73,237 | 78,502 | 87,250 | 92,150 | 27,917 | 103,583 | 111,473 |
| Personnel head | 44,492 | 44,810 | 50,421 | 50,553 | 18,657 | 56,588 | 58,247 |
| Finance head | 43,678 | 44,679 | 52,898 | 53,425 | 19,297 | 62,700 | 65,488 |
| Production head | 43,310 | 44,151 | 50,685 | 52,107 | 19,003 | 62,383 | 63,014 |
| Sales & mktg head | 43,888 | 44,575 | 49,368 | 50,948 | 18,745 | 60,224 | 62,723 |

*Organisations employing from 250 to 1,000:*

| Country: Position | Lower quartile Basic salary £ | Lower quartile Total cash pay £ | Median Basic salary £ | Median Total cash pay £ | Median Buying power £ | Upper quartile Basic salary £ | Upper quartile Total cash pay £ |
|---|---|---|---|---|---|---|---|
| Spain: M.D. | 80,534 | 92,205 | 112,799 | 117,748 | 63,186 | 134,701 | 148,187 |
| Sales & mktg head | 47,009 | 52,142 | 55,735 | 60,668 | 37,587 | 66,409 | 73,852 |
| Production head | 44,094 | 46,898 | 53,784 | 56,459 | 35,699 | 65,209 | 69,042 |
| Finance head | 41,400 | 45,246 | 51,479 | 56,228 | 35,147 | 62,244 | 66,138 |
| Personnel head | 40,671 | 43,386 | 49,968 | 52,270 | 33,821 | 58,532 | 62,976 |
| Switzerland: M.D. | 78,251 | 88,341 | 95,291 | 110,090 | 59,897 | 103,587 | 120,852 |
| Sales & mktg head | 58,969 | 66,592 | 65,695 | 75,561 | 44,386 | 71,749 | 86,323 |
| Production head | 56,951 | 61,883 | 63,004 | 71,076 | 42,293 | 67,713 | 77,803 |
| Finance head | 57,175 | 61,435 | 63,004 | 67,265 | 40,475 | 67,265 | 75,336 |
| Personnel head | 53,139 | 57,399 | 56,502 | 62,108 | 38,018 | 63,453 | 72,422 |
| France: M.D. | 71,317 | 77,018 | 101,126 | 113,269 | 56,615 | 125,389 | 140,431 |
| Sales & mktg head | 59,138 | 67,413 | 81,916 | 93,389 | 50,611 | 108,120 | 123,257 |
| Production head | 37,725 | 42,251 | 69,677 | 78,048 | 43,886 | 78,371 | 87,772 |
| Finance head | 43,317 | 48,515 | 62,000 | 69,437 | 39,855 | 74,443 | 83,365 |
| Personnel head | 40,683 | 45,569 | 59,317 | 66,443 | 38,453 | 62,802 | 70,335 |
| UK: M.D. | 56,475 | 62,906 | 64,924 | 66,474 | 44,638 | 81,002 | 84,682 |
| Sales & mktg head | 37,209 | 38,455 | 44,249 | 46,071 | 32,396 | 48,572 | 54,354 |
| Finance head | 37,920 | 39,065 | 42,819 | 44,282 | 31,323 | 48,428 | 51,406 |
| Production head | 35,000 | 37,391 | 41,070 | 41,722 | 29,787 | 46,105 | 48,551 |
| Personnel head | 34,402 | 35,085 | 37,220 | 39,070 | 28,156 | 43,957 | 47,060 |
| Belgium: M.D. | 77,397 | 84,149 | 88,063 | 104,579 | 42,884 | 101,331 | 116,106 |
| Sales & mktg head | 51,057 | 54,540 | 56,771 | 64,892 | 30,549 | 75,068 | 84,129 |
| Finance head | 47,652 | 52,407 | 59,295 | 60,098 | 28,985 | 65,049 | 70,274 |
| Production head | 41,722 | 44,697 | 55,342 | 58,239 | 28,370 | 66,967 | 71,507 |
| Personnel head | 41,331 | 45,440 | 49,061 | 51,585 | 26,168 | 54,442 | 75,460 |
| Netherlands: M.D. | 68,223 | 76,481 | 83,303 | 91,203 | 41,486 | 99,461 | 101,975 |
| Sales & mktg head | 55,296 | 59,605 | 68,223 | 74,327 | 35,332 | 74,327 | 87,971 |
| Production head | 54,578 | 57,810 | 63,196 | 63,914 | 31,535 | 71,813 | 78,276 |
| Personnel head | 49,910 | 51,346 | 57,451 | 60,323 | 30,226 | 66,786 | 72,890 |
| Finance head | 45,961 | 50,269 | 55,296 | 59,605 | 29,964 | 64,991 | 72,172 |
| Denmark: M.D. | 100,105 | 105,796 | 116,965 | 126,449 | 35,552 | 136,881 | 140,358 |
| Personnel head | 52,687 | 53,214 | 61,328 | 62,856 | 21,396 | 71,338 | 73,973 |
| Finance head | 51,106 | 51,423 | 61,960 | 62,645 | 21,349 | 75,395 | 79,768 |
| Production head | 50,580 | 50,580 | 62,171 | 62,171 | 21,243 | 73,024 | 77,134 |
| Sales & mktg head | 49,947 | 53,214 | 60,432 | 61,591 | 21,114 | 78,820 | 81,138 |

# Deputy Trust Manager

Our client, The Law Debenture Trust Corporation p.l.c., is the leading independent corporate trustee in the City of London. It now wishes to appoint a Deputy Trust Manager who will report to Director level and be responsible for the ongoing management of a portfolio of loan capital trusteeships which include issues on the domestic and international capital markets.

The role involves managing a small team of professionals and working closely with clients and major City law firms.

Applicants should have a legal or similar professional qualification and have knowledge of the loan capital markets, and be experienced in dealing with documentation. Leadership skills and managerial experience are essential together with a good level of vigilance and the judgement to exercise the trustees' discretions appropriately and consistently. The salary range is attractive and there is an excellent package of benefits. Age guide – mid-30's.

Please apply in confidence quoting Ref. L532 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

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## Investigators

*Investment Management* — *City*

IMRO - Investment Management Regulatory Organisation Limited - is responsible for the regulation of investment managers under the Financial Services Act. It has a membership of over 1200, including fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

Our Investigations Department is primarily engaged in undertaking intensive enquiries and enforcement action to protect investors; and works in close co-operation with our Legal Department on disciplinary cases.

We now require additional Investigations Officers. They will be responsible to a senior manager for: personally planning and conducting investigations; instructing, where necessary, external professionals; liaising with other regulators; and writing clear and informative reports. These are demanding roles, providing wide exposure to the investment management industry and the opportunity to work at the forefront of investor protection.

Candidates, preferably graduates, must have good analytical and inquisitive skills and should have one or more of the following backgrounds: investigations experience; forensic accounting; significant experience within the investment management industry; previous Regulatory experience; internal audit in the financial services sector; or be a qualified accountant with at least two years' relevant post-qualification experience.

Fully competitive remuneration packages will be offered for the positions, including non-contributory pension and medical insurance. The posts provide excellent opportunities for further career progression.

Please write (under confidential cover) with a curriculum vitae, stating how you meet the requirements of the position, indicating current salary and quoting reference number INV93/6, to: Robert Charleston, Head of Personnel, IMRO, Broadwalk House, 5 Appold Street, London EC2A 2LL.

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Initial enquiries should be addressed to Tim Clarke at the address below, or by fax on 071 240 7460.

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## International Sugar Organisation
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Applications for the post of Executive Director, responsible for administering the 1992 International Sugar Agreement and running the ISO, are invited from suitable applicants possessing leadership qualities, administrative and managerial experience, diplomatic skills including experience of working with government representatives and the capacity to develop relationships within the international sugar community. Fluency in both written and oral English is essential.

Remuneration and other conditions of employment are negotiable within the United Nations scale applicable to London. Candidates should indicate how soon after 1 January 1994 they could be available. Further details of the Job description and the ISO can be obtained from the ISO.

Written applications, including full C.V. should be sent by 30 June 1993 to:

Mr A S Paul Eynaud
Chairman of the Council
International Sugar Organisation
1 Canada Square
London E14 5AA

**Tel: 071 513 1144 Fax: 071 513 11 46**

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*For further information please contact Martin Symon on 071 623 1266*

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
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## A key support role in investment marketing

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Concentrating primarily (but not exclusively) on retail marketing, the role will provide exposure to a wide range of support activities including establishing and developing databases, preparing mailings and press advertising, producing product literature, contributing to new product development and liaising with external agencies. The scale of RAM's planned marketing activity will provide wide scope to make a decisive impact on the function - and to grow with it. The need is for someone who can bring a proactive approach to the role, generate innovative ideas and assume significant project responsibilities.

Graduate-calibre candidates should therefore have a record of successful achievement in a relevant marketing support role - ideally in an investment house - and should in particular be familiar with the retail marketing scene. PC literacy and proven copywriting skills are further key requirements.

Reporting to the Marketing Director, this is a key appointment, for which the excellent remuneration package will include profit-sharing and an attractive range of benefits.

**In the first instance, please send your full curriculum vitae, in the strictest confidence, to Tracy Phillips, Rothschild Asset Management Limited, New Court, St Swithin's Lane, London EC4P 4DU.**

ROTHSCHILD ASSET MANAGEMENT

Internationale Nederlanden Bank

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*ING Bank is part of the Internationale Nederlanden Group N.V. a leading financial services group, with total assets of US $ 180 billion.*

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The candidate for this newly created position will have experience in managing international share and/or bond portfolios. Ideally, the candidate will also have had exposure to emerging markets. An attractive package is available.

Applications can be made by forwarding a CV to Mr. S. Romijn, ING Bank Luxembourg, PO Box 1961, L-1019 Luxembourg. For further information call 352-474 8301.

ING BANK

**SENIOR MARKETING OFFICER – German Corporates** — **£45,000+**

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A leading European bank seeks an experienced account officer to join an established team marketing its services to major UK corporates. Successful candidates will be degree educated, possess sound credit skills and have been involved in the promotion and development of a broad range of financial services at senior level.

**CORPORATE CREDIT ANALYST** — **£25,000+**

A major US bank seeks an experienced analyst with exposure to European corporates and particular skills in cashflow forecasting and computer modelling. Working closely with the relationship managers applicants will have had some client contact and spent at least two years analysing large corporate accounts and undertaking industry analyses.

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**QUALIFICATIONS**

- Senior level, multi-industry experience of cross border acquisitions and project finance. Medium/large scale, capital intensive projects. Industrial experience preferred.
- Record of deal management from initiation to completion, particularly in developing countries. Understanding of financing, resourcing, cultural and political issues.
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**QUALIFICATIONS**

- Probably a graduate aged 30-40, experienced fund manager. Ideally with marketing experience.
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- Mature professional, excellent interpersonal skills, able communicator, orally and in writing.

Please write, enclosing full cv, Ref M2226
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# Structured Sales

## Southern Europe

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Besides sending me the usual cv, please also highlight the relevant parts of your career and your approach to HR. Reply in confidence to Julian Burnett, **Ref: 6022/JB/FT, PA Consulting Group,** 123 Buckingham Palace Road, London SW1W 9SR.

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**ECONOMIST** — **to £30,000**

Owing to an expansion in the Bond Trading department of this established Securities House, we have been requested to recruit an experienced Economist. Based in the dealing room, the successful candidate will be responsible for European research, making recommendations, writing reports, advising traders etc. Possessing a relevant degree (at least 2:1) you will require 1-2 years experience, ideally with a European flavour

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Prestigious International Bank requires a Senior Officer to join its expanding documentation area. A thorough knowledge of ISDA regulations (87 & 92) is essential as duties will include monitoring and negotiating Master Agreements and Confirmations. The successful candidate will have at least 3 years experience within a documentation unit and ideally be a graduate. Negotiations experience would be considered advantageous.

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Our client offers a very attractive salary and an opportunity to get actively involved in the process of transformation of Polish political and economic reality. If you are interested in this challenging and responsible position please send your application and a detailed CV within 10 days quoting ref. no. 33024 to our consultants.

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## ACCOUNTANCY COLUMN

# Disturbing conspiracy to gild the lily

**Andrew Jack** on stratagems used by accountancy firms to inflate fee income when reporting their results

New draft reporting guidelines from a little-known sub-committee of the Accounting Standards Board have fallen into the hands of the Financial Times. They make disturbing reading.

The document is called Hype 1, How You Present Earnings, a recommended statement of financial reporting practice for British accountancy firms. It should be read in conjunction with the latest fee income figures produced by the firms last week.

It contains a series of basic rules to be followed by firms in preparing their results. The first chapter is a framework "statement of principles" on which all the detailed rules are based. Its principal recommendation is:

● Decide the figures you want and aim for them. Firms should be publicly required to deride the importance and reliability of the figures. Privately many readers – most importantly existing and potential clients – take the results seriously. They are important for marketing and morale. As a result, the full force of creative accountancy should be used to help in their compilation.

The most important detailed proposals are as follows:

● Alter the year-end yearly. Using significantly different year-ends from other firms makes comparisons between firms more difficult and ensures that income-generating or -depressing events can be excluded or included as necessary. This also makes easier explanations of discrepancies from the general trend – which may or may not correspond with the actual treatment of the figures.

● Change the comparatives. Less assiduous readers may not bother to check last year's published figures and simply look at the re-stated version of the previous year in the new set of results. For the more assiduous, the explanations for the variations can include the suggestion that the old version was produced with too tight a timetable to permit proper assessment, or that important new accounting systems have been introduced which now permit a more reliable estimate of last year's results.

● Create dissonance around de-consolidation. If total fee income must be broken down between different categories – audit, tax, consulting, insolvency, and so on – there is no reason why these headings need correspond too strictly to the billed time of the respective departments.

● Gild by association. Include in the figures as much income as possible from autonomous regional partnerships, associate and affiliate firms or other arm's-length entities. The guiding rule is that they should be included if there is a marketing advantage in doing so; linkage in any formal, legal sense such as profit-sharing is irrelevant.

● Juggle off-shore subsidiaries. Play around with operations or affiliates in regions such as the Channel Islands, Isle of Man and Northern Island. Ideally throw in additional income from international networks of firms too.

● Swell with secondments. Any contributions made by affiliates overseas to staff on secondment can be added in; but it may be useful to exclude these staff from the totals of professional staff to reduce the apparent cost base of the firm.

● Subsidise with non-subsidiary subsidiaries. Consulting operations, financial service advice and other areas well beyond the traditional remit of accounting firms are all welcome inclusions to increase total reported fee income.

● Confuse income and costs. Include items such as goods like software packages and computer equipment which have been bought on behalf of and then sold on to clients.

**Though Hype 1 has not yet been released for discussion and comment, many of its recommended practices seem to have been implemented**

● Add the effects of acquisitions. Consider the scope for taking a substantial amount of the year's income from any mergers with other accountancy firms.

A final section of Hype 1 deals with implementation, which stresses that early adoption of the guidelines is encouraged. The most significant recommendations are:

● Agree the ground rules in advance. Most of the larger firms meet to discuss the format of the figures long before publication. The biggest eight firms have separate gatherings for senior partners and public relations officers on the subject, and Group A – the tier below – also hold such meetings.

● Do not trust the competitors. Ideally co-ordinate a simultaneous release of the firm's figures to the press and to competitors. Then break that schedule to allow time to inspect everyone else's results and tweak the results to provide the desired position in the rankings.

Though Hype 1 has not yet been released for discussion and comment, many of its recommended practices seem to have been implemented by the UK's accountancy firms, as the presentation of the figures last week clearly shows.

Commentators should perhaps not complain. The firms – as they constantly stress – are private partnerships which are under no obligation to produce any results at all. And some are making improvements to disclosure: KPMG produced separate figures for corporate finance forthe first time this year, for instance.

Equally, even the more creative approaches to reporting listed have been unable to completely conceal the impact of the recession. The top 30 firms reported near static income in the last year, below inflation although totalling about £3.4bn. The number of partners and professional staff dropped by 4 per cent and 6 per cent respectively.

Stripping out the effects of the few firms defying the general trend, the pattern looks far more gloomy. Only 7 of the top 20 firms reported any rises in income – generally at very modest rates. Of these, two had large contributions from unusual activities – consulting and financial services – two had mergers, and one added a substantial number of new offices.

Growth in insolvency income – in as far as the category can be trusted – at 10.8 per cent was clearly insufficient to compensate for the decline in other forms of income, notably audit, which provides 41 per cent of all fee income and was down by 2.4 per cent.

But there is almost certainly worse to come. The "leverage" or ratio of professional staff to partners has fallen across the larger firms. In other words, there is a shrinking number of salaried staff supporting each partner. It is highest – at 15 – for Andersen, down to as low as 9 at Price Waterhouse.

Leverage by the "Big 6" firms remains above those of their smaller rivals – if they can be considered competition – but the decline almost certainly suggests that more partners will need to be shed in the future if incomes of the remainder are to be sustained.

There is one important final section circulated as an appendix to Hype 1: "All accountancy firms should publish their true profit figures," it recommends. "This will disprove the rumours of financial instability affecting them and demonstrates the underlying strength of the business. With the firms as large and powerful as they are, there is also a strong and legitimate public interest in producing these details."

Just kidding.

**APPOINTMENTS ADVERTISING**

Appears every wednesday & Thursday (UK) and Friday (Int'l only). For further information or to advertise in this section please call:

Andrew Skarzynski
on 071-873 3607

Mark Hall-Smith
on 071-873 3460

Tricia Strong
on 071-873 3199

Rachel Hicks
on 071-873 4798

JoAnn Gredell
0101 212 752 4500

# Group Financial Analyst

## c£27,500 + car

## Midlands

This client is a very successful large international manufacturing group characterised by short lines of communication and clear accountabilities.

They now wish to recruit a high calibre Graduate Qualified Accountant (ACA or ACMA) to work on the future direction and control of the Group. The role will involve the analysis of the operating results of 7/8 major businesses for trends and variances from expectations; monitoring the balance sheets and working capital issues; analysis and review of the medium term plans; analysis of capex and its relationship to the business plans; participation in an active acquisition programme plus a variety of high profile special projects. The position will provide an excellent top down view of the whole group and detailed work on the key issues. It is not a desk bound job.

Applicants should have well developed analytical skills with practical experience from a large well organised group ranging from manufacturing and operational experience at factory and distribution level to balance sheet controls and business viability reviews at the centre. Experience of financial modelling, the ability to manage time and establish priorities and the confidence to communicate clearly and concisely are important. Success in the role will lead to progressive senior line positions at the sharp end of the businesses. Age guideline mid – late 20's.

Please reply to Brian H Mason, who is exclusively retained, quoting Ref. L533 at:

Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

**Mason & Nurse**
Selection & Search

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GUINNESS BREWING WORLDWIDE LTD.
*Brewers of Distinction*

# INTERNATIONAL BUSINESS DEVELOPMENT EXECUTIVE

NORTH WEST LONDON

£50 - 60,000 pa PLUS EXECUTIVE BENEFITS

Guinness Brewing Worldwide is the beer business of Guinness PLC, one of the leading alcoholic drinks companies in the world. Turnover in 1992 increased by 10% yielding a trading profit of £252 million.

This growth is a reflection of Guinness Brewing's portfolio of quality brands, a good international spread of business and continued investment in people and products.

Its increasing investment in strategic development demands the appointment of a key individual to assist the Business, Strategy and Development Director in providing high quality advice to company executives in the planning and execution of strategic activities. The successful candidate will also manage or assist in the execution of strategic projects (eg market entry studies, acquisitions, joint ventures etc).

Responsibilities of the role include:-

- A significant impact on operating unit strategic plans, working alongside senior executives within the business.
- Managing potential acquisitions from concept stage through to post-integration planning and completion.
- Preparing analyses and recommendations for Board Executives on any strategic issue (eg. acquisition, divestment, market entry etc).
- Building on knowledge of the worldwide beer market, industry structure and competitors.

To be able to both perform and develop the above role you will have had extensive experience of strategic and business development and must clearly demonstrate:-

- 10 years of broad business experience from which you have developed a high level of commercial awareness.
- A highly analytical mind and a clear thinking approach.
- Strong interpersonal and communication skills, and ability to present a credible image at the highest levels.
- Powers of persuasion and influencing skills, ensuring that required actions and changes occur.

It is likely that you will be an MBA or perhaps a Qualified Accountant with Corporate Finance knowledge.

Previous international experience and a keen interest in progressing this further are desirable, as is fluency in English and proficiency in a second European language. Applications from overseas candidates will be welcomed.

The long-term prospects within the Group (internationally as well as in the UK) are excellent.

**If you feel that you could respond to the above challenge, you should write to Karen Wilson at FMS, (Financial Search & Selection Specialists), 5 Bream's Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV and a note of current salary/benefits.**

Unsolicited CV's from agencies sent directly to Guinness will be forwarded to FMS for inclusion within the screening process.

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# CHIEF ACCOUNTANT

## East Anglia

**Competitive salary plus car and other benefits**

Our client, one of the world's largest and most successful liner shipping companies is seeking a Chief Accountant for its European Headquarters based in East Anglia, to consolidate and enhance financial operations.

Reporting to the Finance Director, this highly challenging role requires a self motivated, professionally qualified accountant with proven service sector experience, preferably in shipping, logistics or distribution. Computer literacy coupled with graduate intellect is essential in order to make a significant contribution to the further development of the financial and accounting systems.

This appointment provides an excellent opportunity for development to a more senior role within 2 years for an individual who is achievement driven and motivated by personal accountability.

Candidates must have excellent communication, leadership and management skills, preferably with a working knowledge of one other European language, as travel within Europe is a pre-requisite of the job. It is unlikely that candidates under the age of 30 will possess the necessary attributes, experience or maturity to succeed in this position.

If you wish to be considered, please forward a comprehensive CV, including details of your current remuneration package, to R.G. Sambrook, the company's selection advisor, at Akenham Selection, Akenham Business Centre, Henley Road, Ipswich, IP6 0HL. Please quote reference number SCA/394.

AKENHAM
RECRUITMENT & SELECTION

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emap.
CONSUMER MAGAZINES LTD

# Finance Manager

**CENTRAL LONDON** **PACKAGE TO £35K**

EMAP Consumer Magazines Division is part of EMAP plc, the highly acquisitive media group whose latest results marked a 24% increase in operating profits and a 56% increase in pre-tax profits.

An integral contributor to the Group's performance, the EMAP Consumer Magazines Division boasts publication of 24 of the UK's top 100 titles. Continued expansion during the last year has encompassed 14 new titles including six in Europe – a trend set to continue and now giving rise to two high profile positions for commercially-minded Finance Managers.

Working closely with the Managing Director, the role of Finance Manager combines full financial management expertise with support to the creative teams. Responsibilities include appraisal of monthly management information, representation and presentation at executive meetings, co-ordination of company budgets, forecasts and financial planning together with assisting in the strategic development of new products, titles and launches. Both positions will involve liaison with operating units in Europe.

The successful candidate is most likely to be in their early 30s, with a minimum of 3 years commercial post-qualification experience. The position will most suit an assertive, mature individual who will thrive in a highly-charged creative environment. Prospective candidates must be able to display a track record of success, the ability to communicate effectively with non-financial personnel and a high degree of self-motivation and self-confidence.

Naturally a wealth of opportunities within this exciting dynamic group will be available to the new team members. EMAP will be looking for ambitious individuals wishing to carve out a career with the company.

Interested applicants should contact Lucy Bennell or Mark Gilbert ACA on 071-404 3155 without delay. Alternatively write, giving brief details, to the address below. All enquiries will, of course, be treated with the strictest confidence.

**Alderwick Peachell**
& PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140

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# SENIOR AUDITORS

Our client, the NATIONAL OIL CORPORATION, directs and controls the exploration and production of one of the world's largest sources of high quality crude oil – setting the strategy for the optimisation of hydrocarbon resources within Libya, by co-ordinating and maintaining the activities of individual operating companies.

To assist in this task the N.O.C. now requires a number of Senior Auditors. Applicants should be Chartered Accountants, with at least 5 years' post-qualification experience, preferably gained in the oil industry.

The excellent benefits package includes:

- Attractive tax free salary
- Free well-appointed accommodation and utilities
- Educational assistance plan, where appropriate
- Generous leave with paid fares to point of origin
- Free medical cover
- End of Service Bonus.

To apply, please write with full career details, quoting reference NOC 38 to John Barker, Recruitment Department, Jawaby Oil Service, 15-17 Lodge Road, London NW8 7JA.
Fax: 071 266 2298.

JAWABY
OIL SERVICE
RECRUITMENT

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# FINANCIAL DIRECTOR

(DESIGNATE)

## PARCELS AND DISTRIBUTION

C£50,000+CAR+PACKAGE SURREY

Our client is a £multi million autonomous division of a major British PLC renowned for the excellence and quality of its services in the UK and internationally.

As a result of promotion we need an exceptional and ambitious executive to oversee divisional financial operations and internal systems of accounting control. Assistance and advice to the Board on acquisitions, disposals, pricing and the preparation and implementation of 3 year rolling business plans will also be required.

The ideal candidate will be a chartered or certified accountant probably aged 38+ and a strong commercial manager who can combine strategic planning with "hands on" application and involvement. Professional ability, interpersonal skills, stature and unquestionable integrity must be acceptable to experienced and essentially practical colleagues. A minimum of 5 years experience of financial control in a multi-subsidiary service related organisation preferably with European connections is mandatory. Linguistic ability is desirable.

For outstandingly able and ambitious candidates longer term career development prospects are excellent.

Please reply quoting PD 1016 enclosing CV to:

Executive 2000 Search and Selection Limited
Sutton Park House, 15 Carshalton Road,
Sutton, Surrey SM1 4LD
Telephone: 081-770 3794 Fax: 081-643 8663

EXECUTIVE 2000
SEARCH AND SELECTION

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# A CHALLENGING OPPORTUNITY- WITHIN A GROWTH BUSINESS

# FINANCE DIRECTOR

**North West** **Up to £40,000 + Performance Bonus + Executive Benefits**

Part of a major Group, who are market leaders in the commercial field with opportunities for future development.

### THE COMPANY

- A business in excess of £35m turnover, with projected growth for the 1993/94 business year.
- A market leader within its Industry and also profitable within its Group of Companies.
- A business which has a clearly defined strategy and direction.

### THE POSITION

- A key position within the business reporting directly to the Managing Director.
- In addition to the day to day financial management reporting, the successful candidate will be expected to use the financial analysis to make a proactive contribution to the development and management of the business.

### QUALIFICATIONS

- Educated to degree level.
- Fellow or Member of Institute of Chartered Accountants.
- Be able to demonstrate a proactive management style.
- Be computer literate.
- Have experience of working within a Public Limited Company.
- Be able to display drive and enthusiasm to achieve results in a fast moving successful organisation.

If you believe you have the qualities to meet the challenge and high standards this business demands then please send your Curriculum Vitae to:

Varley Walker & Partners
2A Chorlton Street, (off Chester Road)
Manchester M16 9HN.
Tel: 061-876 4124 Fax: 061-876 4760

Varley-Walker
HUMAN RESOURCE CONSULTANTS

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# GROUP FINANCE MANAGER

**SALARY RANGE £35K - £45K,**
**CAR, PENSION, BONUS POTENTIAL**

A commercially minded, qualified, ambitious individual is sought for this role in support of the Group Finance Director in a Northern based engineering group.

A wide range of skills and experience is required, to include financial, tax and cash management, management and statutory accounting, budgetary control and standard costing. These skills should be combined with a high degree of computer literacy and systems knowledge.

The candidate must be a good team member, highly analytical and challenging yet persuasive in person and writing.

Some international management experience would be beneficial but not essential.

The capacity to achieve at least one further promotion is essential as the shareholders own several other companies.

Preferred age is under 40.

*Write to Box B1098, Financial Times, One Southwark Bridge, London SE1 9HL*

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# FINANCE DIRECTOR (DESIGNATE)

**North Staffs.** **Age 30 - 40** **£30,000 - £35,000 + Benefits**

Churchill Tableware Limited is a £25m turnover subsidiary of Churchill China plc., based in Stoke on Trent and manufacturing domestic tableware for home and export markets.

Due to internal reorganisation a position has arisen for a qualified accountant with extensive experience of manufacturing industry together with sound commercial knowledge and good interpersonal skills. The successful applicant must possess all the normal technical skills and demonstrate a clear ability to work well with other members of the management team, employees from other disciplines and a wide range of external contacts. The position reports to the Managing Director and offers real prospects of future development in what is a challenging and fast moving business environment.

Please write enclosing full CV and personal details including current remuneration to:

**D J S Taylor, Company Secretary,**
**Churchill China plc.,**
**Marlborough Works, High St,**
**Tunstall, Stoke on Trent. ST6 5NZ**

GREAT BRITISH POTTERS SINCE 1795
**Churchill**

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# POLAND

An experienced English Chartered Accountant, bilingual English/Polish, is seeking a senior Financial appointment- on location-within a Western Organisation developing business opportunities in Poland. Short-term consultancy appointments will also be considered. Write Box B1220, Financial Times, One Southwark Bridge, London SE1 9HL.

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**FINANCE CONTROLLER POLAND**

**£Neg** **Warsaw**

Our client, a subsidiary of a US Corporation, is looking to appoint a Number One Finance Manager for its Poland operation. You will manage the finance function and contribute to the running of the business. Candidates must speak Polish. Ref: FMP.

For further details please contact John Bowman on 071 387 5400 (eves 0474 874473) or write to him at FSS Europe, Drayton House, Gordon Street, London WC1H 0AN, Fax 071 388 0857

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**FT/LES ECHOS**

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone:

Clare Peasnell on 071 873 4027

## Middle East – The Gulf

# FINANCIAL ADVISOR

### Tax Free Salary and Benefits

A Trading and Contracting Group located in the Gulf and comprising a number of independent companies wishes to make a Senior Accounting appointment.

Reporting to the owners the Advisor will be responsible for all accounting and financial matters.

Candidates will have a recognised professional qualification and Middle East experience, be 35-45 and have good experience in the construction industry; it would also be an advantage for the candidate to have experience of the treasury function and of evaluating investment opportunities. A confident and commercially minded professional is required with good communication skills.

The salary and married status package will reflect the significance of the apointment.

If you have the experience we seek, send a detailed CV or telephone·

**Martin Dyas,**
**S&N Corporate Services Ltd.,**
**Recruitment Consutants,**
**135 Notting Hill Gate, London W11 3LB.**
**Tel: 071-243 0504. Fax: 071-229 2150**

S & N
CORPORATE SERVICES

## *Outstanding opportunities for Qualified Accountants/MBA's to influence the performance of a leading UK services group*

Our client, a leading UK services group with a turnover of £1.1bn, has maintained its position as a dominant market leader despite increased competition in it's specialist sector. A recently appointed high calibre management team coupled with an increased commitment to product innovation, and a corporate strategy orientated towards the provision of superior customer service, will create substantial domestic and international business opportunities.

There now exists a requirement to further strengthen the management team with the appointment of *two* highly commercial Accountants/MBA's.

### *Financial Planning & Analysis Manager*

**London** **£45,000 + Car + Bonus (to 25%)**

Reporting to the Finance Director of a core division (t/o £220m), the appointee will be primarily responsible for the financial analysis of several business units, in addition to the development of key business development strategies. Specifically, this will encompass capital expenditure appraisal, the production of annual and long term plans, the coordination and analysis of revenue, cost and margin information for senior management, and in particular marketing. The successful candidate will be directly responsible for one qualified financial analyst (ACA).

### *Commercial Development Manager (International)*

**London** **£45,000 + Car + Bonus (to 25%)**

Reporting to the Finance Director of the International Division (to £230m), this newly created appointment is responsible for a variety of commercial projects and developmental issues facing the group. The appointee will be instrumental in evaluating global capital expenditure proposals, assessing potential joint ventures and ad hoc development projects, working closely with the Finance Directors and senior management of international subsidiaries. An Accountant or MBA would also be suited to this role. The ability to liase in Spanish/Italian, coupled with experience of operating in an international environment is desirable though not essential.

In both instances the ability to work and present at board level is essential. Aged 28-33 you will have a proven track record in a blue chip commercial environment, where you have had to liaise with all levels of management.

For both of the above positions key requirements are sound commercial judgement and a proactive work style, coupled with an ability to initiate and manage change.

The rewards include an attractive remuneration package together with company car, generous peformance related bonus and excellent career prospects in a successful and growing group.

**Interested applicants should write in the strictest confidence to Brian Hamill or Robert Walker, forwarding a curriculum vitae to our London office quoting ref: BH902.**

WALKER HAMILL
Financial Recruitment Consultants
29-30 Kingly Street, London W1R 5LB
Tel: 071-287 6285
Fax: 071-287 6270



# FINANCE MANAGER

**Cambridge** **£30-£35,000 + Benefits**

St John's is one of the largest Cambridge colleges with over 750 graduate and undergraduate students and 125 Fellows. In order to meet the financial management challenges of the 1990's, a new post of Finance Manager has been created.

Reporting at senior level, the successful candidate will be primarily responsible for ensuring efficient financial management on a day-to-day basis and providing vital input to support the strategic direction of the College's finances. Key challenges include the development of management reporting and financial analysis, implementation of new computerised accounting systems, enhancement of budgetary controls and the motivation and development of a small team.

A "hands-on" role, this post calls for a qualified accountant, probably in his/her 30's or 40's with a significant amount of financial management experience. Good communication and motivational skills are vital together with the flexibility to handle a diverse range of tasks. The job holder must be capable of innovation in supporting the Bursars in their respective roles and must be able to demonstrate the interpersonal skills needed to deal effectively at all levels.

The salary offered will be negotiable according to age and experience and will be supported by pension and health care benefits. Assistance with relocation will be available where necessary.

Interested applicants should send a comprehensive c.v. including current salary and daytime telephone number to Phillip Price ACA, quoting reference 900, at Touche Ross Executive Selection, at the address below.

**Touche Ross**
**MANAGEMENT CONSULTANTS**
Leda House, Station Road, Cambridge CB1 2RN.
Telephone: 0223 460222.

## *Financial Planning Manager*

### *Outstanding ACA/CIMA North London*

### *£35,000-£40,000 + Car + Benefits*

Our client, the UK operating subsidiary of a leading global financial services group, is poised to undergo a period of growth; the first phase of which will be primarily organic. A recently appointed high calibre management team coupled with an increased commitment to product innovation, and a corporate strategy orientated towards the provision of superior customer service, will create substantial domestic business opportunities. The company culture is both competitive and entrepreneurial.

There now exists a requirement to augment the management team with the appointment of a Financial Planning Manager. The role offers exceptionally high level exposure at a very early stage. Key elements of the role will include the development of strategic and financial plans and forecasts, cash flow projections, the analysis of financial performance throughout the group, its competitors and the business sectors in which the group operates. There will be active involvement in the study of new products and the enhancement of the profitability of individual business units.

This opportunity will appeal to a high calibre ACA/CIMA (aged 27-33) with a proven track record in either a 'blue chip' commercial organisation or 'Big 6' public practice firm. The ability to liaise with management at all levels is an absolute prerequisite as is the desire to develop a career in a challenging and changing environment.

The benefits include an attractive remuneration package, company car, discretionary bonus and the opportunity to develop a stimulating career within this high profile international group

**Interested applicants should write, in the strictest confidence to Robert Walker or Brian Hamill, forwarding a curriculum vitae to our London office quoting Ref: BH 1323.**

WALKER HAMILL
Financial Recruitment Consultants
29-30 Kingly Street, London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

# Financial Controller

## Directorship Potential

**West End** **c£40-45,000 + benefits**

This is a first class opportunity to make an impact at an early age within an entrepreneurial, family-owned property company. Due in no small part to its shrewd management style, our client has successfully weathered the widely publicised decline in the property market and is well positioned to capitalise on the forthcoming upturn. With an eye to the future, it now wishes to recruit a high calibre, commercially astute accountant as a medium term successor to the current Group Finance Director.

This newly created role will require you to establish early credibility at Board level by fulfilling a range of duties including accounts preparation, budgeting, financial control and, crucially, cashflow and profit forecasting. Subsequently, your responsibilities will broaden to encompass planning, strategy, banking relationships and development finance. Your technical skills must be complemented by an ability to deal with property specialists. It is envisaged that you will assume the mantle of Finance Director within a one/two year timeframe and the only constraint on progress will be your own ability.

A graduate chartered accountant from a leading firm, probably in your late 20s - early 30s, you will have since gained line accounting experience, preferably in the property sector. You are results-driven, ambitious and confident, yet team-spirited and adaptable. Though at an early stage in an already successful career, you are streetwise, resilient and comfortable in a highly visible role. The attractive remuneration package, which is highly negotiable, is indicative of the standards which will be expected.

Please write, in confidence, enclosing full career and remuneration details, to Tim Knight, quoting reference 6000.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

# AN EXCEPTIONAL OPPORTUNITY FOR A DYNAMIC YOUNG ACA

*Attractive salary + car & benefits · Hayes, Middlesex*

Recent preliminary results showed the Argyll Group's pre-tax profits up 14 percent to £417 million, confirming the continuing success of its Safeway/Presto/Lo Cost food retailing operations.

With sales over £5.5 billion, the Group's treasury function is responsible for the profitable deployment of very substantial funds and for raising short and long term finance.

The new position of Treasury Accountant has been created for an innovative and ambitious ACA who will be responsible for the financial control and reporting of treasury operations.

In this challenging role, you will further develop computerised operational control systems and performance measurement techniques and will assist with the management of FX and interest rate exposures. You will also evaluate and make recommendations on treasury instruments and financing proposals, including their accounting and tax implications.

Additionally, you will be responsible for the holding company's accounting function and will assist with the preparation of its period accounts and annual plans.

This is as an outstanding opportunity for a young ACA with a keen interest in corporate treasury management and a high degree of computer literacy. With an agile, analytical mind and one or two years' post-qualification experience, you are now looking at a move which will place you at the heart of a blue-chip group and offer options for future development either within treasury or across other areas of business management.

If your ambitions and abilities are equal to the challenge, please write with your cv to: Deborah Ward, Personnel & Training Officer, Safeway Stores plc, 6 Millington Road, Hayes, Middlesex UB3 4AY.

ARGYLL
GROUP PLC

# Financial Director

**Croydon** **c£30k + Car + benefits**

Part of a highly successful group of autonomous companies, our client is a profitable and well established manufacturing concern with a turnover in excess of £11m.

As a result of internal moves within the holding company, they now wish to recruit an experienced qualified management accountant who will report to the Managing Director and supervise a small accounts team. Responsibilities will include all aspects of financial and management accounting, development of computerised systems, company secretarial duties and administration. The person appointed will be actively involved in the commercial running and further development of the business.

Aged 28-40, you will have strong experience of accounting in a manufacturing business along with "hands-on" computer usage in this environment. Flexibility, energy and good communication skills are important adjuncts to a strong technical background. In return, the Company will provide an attractive salary, executive car, a bonus scheme and other benefits.

Interested candidates should send comprehensive CVs and salary details, quoting reference II7846, to Tony Saw at the address below.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

FMS
FINANCIAL SEARCH & SELECTION SPECIALISTS

# HEAD OF INTERNAL AUDIT

## ENVIRONMENT OF POSITIVE CHANGE & DEVELOPMENT

SURREY

C£45,000 pa PLUS CAR & BENEFITS

Our client, a market leader with a turnover in excess of £1,000 million, is now vigorously pursuing a strategy to further strengthen this position.

It intends to achieve this strategic objective by the implementation of 3 key initiatives:-

- Development of innovative added value products.
- Development of least cost operations, achieved through significant restructuring and substantial capital investment.
- Strengthening of the management team, blending external expertise with existing internal knowledge and experience.

As an integral part of the third of these objectives, the group is now seeking to appoint a Qualified Accountant, with experience of a major professional firm and/or large blue-chip organisation, to head up this key function.

The main responsibilities of the role, which reports to the Finance Director and will operate at the highest level, will include:-

- Ensuring that a 'robust' Group control environment exists.
- Confirming that the information provided at Board level has integrity.
- Conducting ad hoc investigations at the most senior level.

In order to be able to both perform and develop the above role you must clearly demonstrate:-

- A high level of technical training and knowledge, including experience of latest audit techniques and procedures.
- Strong interpersonal and communication skills with the ability to relate credibly at all levels.
- An ability to influence and persuade, and where necessary challenge, ensuring that appropriate action be taken and changes occur.

If you feel that you could respond to the above challenge, you should write to Karen Wilson BA ACMA at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV and a note of current salary.

# Risk Manager

**City** — **Excellent Package**

Our client is one of the leading stockbroking firms in the UK with a very strong corporate client list and excellent distribution capabilities, particularly of equities to UK institutional investors. As a result of recent expansion into new business activities, there is now the need to develop the Risk Management function to cater for a wider variety of products.

Reporting to a Senior Operations Manager, the role will not only involve day to day risk monitoring but also extensive new projects such as developing counter-party risk limits and limits for proprietary trading and assisting the Head of Department with the day-to-day running of the team.

The ideal candidate is likely to be a graduate qualified accountant, aged 28-35, with strong technical knowledge of securities trading, derivatives and swaps. Although risk management experience from a similar organisation would be desirable, it is not essential.

As this is a high profile position involving liaison with all levels of management, both front and back office, tact and diplomacy coupled with confidence and assertiveness are skills that will have to be second nature to this individual.

This is an unrivalled opportunity to join an expanding organisation where career progression and rewards depend solely on capability and performance. The remuneration package will also include a mortgage subsidy, company car, bonuses and other banking benefits. Interested applicants should send their detailed curriculum vitae to **Stephanie Warren at Michael Page Finance, Financial Services Division, Page House, 39-41 Parker Street, London WC2B 5LH.**

**Michael Page Finance**

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

# Financial Controller

**London** — **c £50,000**

Our client is one of the largest and most commercial law firms in the UK with an overriding commitment to professionalism and quality of service.

There are plans for further expansion of an established UK and international office network.

Within this framework of strategic development, a new position of Financial Controller has been created to optimise financial management. Particular emphasis will be given to the strengthening of accounting, cash and management information controls.

Working closely with the Finance Director and the Partners, the successful applicant will play a leading role in the day-to-day financial operations of the partnership, the management of an established accounts department and the commercial analysis of new and existing business.

The ideal candidate will be a graduate chartered accountant with a strong work ethic and innate business acumen. Excellent presentation and interpersonal skills are prerequisite to this high profile position.

Interested applicants should send a full curriculum vitae, quoting **reference 30601**, to **Diane Forrester ACA at Michael Page Finance, Executive Selection Division, Page House, 39-41 Parker Street, London WC2B 5LH.**

**Michael Page Finance**

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

# ACCOUNTANTS

**GRADE 7 LEVEL. SALARY: LONDON - £27,065+ SHEFFIELD - £25,900+**

**Posts are based in London and Sheffield**

**SENIOR EXECUTIVE OFFICER LEVEL. SALARY: £19,412 - £26,881**

**Posts are likely to be based in Basingstoke, Newcastle, Nottingham, Manchester and Sheffield**

The aim of the Employment Department is to support economic growth by promoting a competitive, efficient and flexible labour market. We work in partnership with the network of 75 Training and Enterprise Councils in England which deliver programmes and services contributing to this aim.

We are seeking to appoint Accountants who will become members of Head Office and local management teams responsible for negotiating, monitoring and controlling contracts with TECs, and in the case of the Newcastle post managing substantial local budgets.

You must be a professionally qualified member of one of the CCAB bodies. Ideally you will have had experience in audit and accountancy, working with senior management to overcome problems identified in audit, and in managing the finances of your own organisation.

Grade 7 salaries are in the range of £27,065 to £36,019 (London) and £25,900 to £34,669 (elsewhere) with increments depending on performance.

Starting salary will depend on qualifications and experience.

**For further details and application form (to be returned by 8 July 1993) please contact Mrs J Bale, Employment Department, Personnel Branch, Room N209, Moorfoot, Sheffield S1 4PQ. Tel: 0742 593269 (24 hour).**

EMPLOYMENT DEPARTMENT

# BEVAN ASHFORD SOLICITORS

## BEST PRACTICE: OPERATIONS DIRECTOR

**Age 35-45** — **BRISTOL** — **Salary c£40K + Car**

The Practice is the region's largest firm of solicitors, with a 10 office network expanding along the M4 corridor and through the South West. Encompassing Bristol (firms largest office), Exeter, Swindon, Reading, Cardiff, Tiverton, Taunton and Plymouth the Practice employs 350 people, and is now perfectly poised to take advantage of the upturn.

The Requirement is for an ambitious, commercially aware Graduate Accountant/MBA etc., to provide the Board with effective administration, strong financial control and operational efficiency. A successful business manager with at least 10 years PQE (some in industry), you will demonstrate experience of network PC systems, financial planning, working capital control plus the general management skills to handle the secretariat and personnel functions.

The Prospects are self-fulfilling as they are linked to the growth of the firm. You must be a self-starter and possess the strength to be viewed by the partners and by third parties as their equal.

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# EC banana regime faces European Court challenge

By David Gardner in Brussels

THE EUROPEAN Community's controversial new regime for banana imports could be suspended if complaints by Germany are upheld by the European Court of Justice, which hears the case today in Luxembourg.

A judgment may take another 10 days, but will have to be reached before July 1, when the new quota and tariff system comes into effect.

The new regime, agreed in February after almost five years of wrangling, sets a quota of 2m tonnes on cheap Latin American banana imports. This quota would attract a uniform duty of 20 per cent, but imports above this level face a tariff of Ecu850 (£670) a tonne, or roughly 170 per cent.

The Latin American exporters have already had a challenge to the current regime upheld by the General Agreement on Tariffs and Trade, and yesterday got the Gatt to set up a panel to investigate the new regime.

The new regime's object is to set up a single market for bananas now that EC border controls have gone; to meet Uruguay Round requirements for tariffs on all farm produce, which then can gradually be reduced; and to protect the EC's traditional but high-cost suppliers in its outlying territories and former colonies.

Germany previously had no duty on bananas, and in 1991 consumed more than half of the 2.4m tonnes of so-called "dollar bananas" from Latin America, which dominate the 3.7m tonnes EC market. Supported by Belgium and the Netherlands, Bonn sought to block the regime in February but was outvoted.

The European Commission and the majority of the member states say the EC is bound by undertakings in the Lomé Convention with 69 African, Caribbean and Pacific states to protect their banana industries. Officials in Brussels were confident yesterday that the court would uphold this treaty undertaking.

But Germany says it is protected by a "banana protocol" in the EC's Treaty of Rome, guaranteeing it unimpeded access to the fruit. German banana importers, who have launched a separate legal action, claim they stand to lose half their business, because 30 per cent of dollar fruit import licences will be allocated to traditional importers from the ACP countries. Mr Gerrit Schohe, a lawyer for the German importers, describes this as "public intervention to shift market share". The damage will be irreparable, all opponents of the regime argue, and they are asking the court to suspend it.

Mr Schohe says the Court's suspension last year of Germany's unilaterally introduced road user charges on foreign trucks, in part because they would irreversibly redistribute market share in the road haulage industry, offers the complainant importers their most hopeful precedent.

If the regime were suspended, some officials in Brussels fear, not only chaos in the banana market would result. A failure to set tariffs on bananas could complicate the Uruguay Round outcome, one said, providing an argument for Japan to take its rice out of the tariffs package.

# US soya prices leap as rain holds up planting

By Laurie Morse in Chicago

SOYABEAN FUTURES prices at the Chicago Board of Trade exploded yesterday as rain continued to delay plantings in important midwest growing regions and talk of strengthening export sales inspired buyers.

The November delivery position hit $6.03 a bushel, and was up 17¾ cents at $5.99 at the close of trading. November delivery reflects prices for the new crop harvest. Futures for July delivery were up 15¼ cents at $6.01¼.

Statistics released earlier this week showed soyabean planting in Iowa, the second largest soyabean producing state after Illinois, was well behind annual averages. Only 60 per cent of the planned area had been planted and continuing rains this week have led traders to conclude the 3.5m unseeded acres will not produce high-quality beans once they are planted.

Forecasts for another three to six inches of rain in the key soyabean growing regions by Saturday helped prices to move higher.

Mr Dick Lowey, soyabean analyst for Chicago-based AgResouces, said that acreage not planted by the first week in July would suffer low yields.

"Traders are beginning to realise that the old adage 'rain makes grain' does not apply here," he said. "We may be looking at severe acreage loss on one hand, and if the ground gets planted, we could see a dramatic loss in yields."

Analysts were busy reducing yield estimates for the new crop, and with them the surplus from next year's crop. The US Department of Agriculture has forecast that 310m bushels of the last US soyabean crop will remain in storage after exports and domestic use at the end of the crop year. Next year, analysts put the carry-over at a meagre 210m bushels.

On a 2.2bn bushel crop, "that doesn't leave much room for serious crop problems in July and August," one soyabean trader noted.

Traders rarely factor a weather premium into soyabean prices this early in the season. However, international trends are at work. Three weeks of flooding in soyabean growing regions of Argentina have caused private forecasters to drop their crop estimates there to 10m tonnes, from the official 11.4m-tonne forecast. The Argentine rains could also result in poor crop quality and a delayed harvest.

Traders expected an export sales report to be released after the market closed Thursday to show additional US sales to Europe. "This is export business we haven't counted on," said Mr Lowey. "We didn't expect any European sales for the next eight weeks."

Brazil, which has usually begun new crop soya exports by this time, has been watching the Argentine situation and might play it to advantage, analysts said. "Brazil doesn't seem compelled to market its crop as quickly this year. Farmers are receiving better subsidies, and will wait until prices rise," one trader explained.

# CBoT aims to boost its international appeal

By Laurie Morse

MR PATRICK Arbor, chairman of the Chicago Board of Trade said late on Wednesday that the exchange would develop more commodity products with international appeal and proceed with a $9.3m project to upgrade its financial futures trading floor.

Citing the need to expand the market for the CBoT's agricultural products, Mr Arbor praised the exchange's decision to open its cereals and soya products an hour earlier, beginning July 6. The Minneapolis Grain Exchange and the Kansas City Board of Trade will also adopt the 8.30 am CDT opening, and the Chicago Mercantile Exchange this week said it would shift its livestock futures openings to 8.25 am.

"This exchange has at times been criticised as being stodgy, reluctant to change," Mr Arbor told members in a mid-term address. "However, the members of this exchange have proven the critics wrong by voting for an earlier ag[ricultural futures] opening. And I intend for us to prove the critics wrong again by redesigning our ag contracts to better meet the needs of customers the world over."

Being more specific, the chairman said the CBoT would launch its international edible oils index contract in the first quarter of 1994, and that contracts on soyabeans and canola (oilseed rape) with Rotterdam delivery are under development. The exchange is also planning to dust off and revise a futures contract on plywood, in a bid to capitalise on volatility in US wood prices.

Noting that 81 per cent of the exchange's volume was now comprised of financial futures and options, Mr Arbor encouraged all the exchange's members to support the $9.3m interim plan to upgrade the financial futures trading floor.

CBoT members who trade agricultural products have their own trading floor and some have resisted expenditures to renovate the financials floor. The upgrade will relieve trading congestion until the exchange can construct a badly-needed new trading facility. Mr Arbor said he would present members with a plan for a new building in four to six weeks.

Noting that the CBoT's share of world futures markets had dropped to 20.6 per cent from 21.5 per cent last year, he said the new building was necessary to keep the exchange competitive. "If we don't build a new trading facility, we will remain the world's oldest futures exchange, but we might not remain the largest," he said.

# Bleak outlook seen for New Zealand's kiwi fruit growers

By Terry Hall in Wellington

PROSPECTS FOR the New Zealand kiwi fruit industry are bleak and questions need to be asked to establish whether it has any future at all, the Ministry of Agriculture says in its annual report – The Outlook for New Zealand Agriculture.

The report notes that in the 1992 season returns from kiwi fruit fell to a record low of NZ$3.85 (£1.40) a tray, and this led to the sole supplier, the Kiwifruit Marketing Board running up a debt of NZ$85m because of its inability to sell its total export crop.

New Zealand successfully developed kiwi fruit as an international commodity, turning it into an industry with NZ$1bn worth of exports in 1991. That fell to about NZ$500m last year. The report notes that New Zealand is now competing with soaring production from Italy, now the world's biggest producer, as well as supplies from France and Chile.

The report says New Zealand's kiwi fruit production will fall by about 25 per cent this season as restructuring continues and growers remove vines. It says the international outlook is poor, with supplies of the fruit rising and no increase in demand.

However the ministry believes that New Zealand will be best be served in its international marketing by the Kiwifruit Marketing Board, rather than by individual marketers. It says abolishing the debt ridden board and returning to multiple marketing will cost the industry even more, adding that one disastrous season is not a good basis for making a change.

The report shows that New Zealand's gross agricultural production rose by nearly 8 per cent in the year to March 1993 to about NZ$9.7b. Total farm output rose by 8 per cent in 1992-93 and further growth of 4 per cent is expected in the year to June 1994.

Commenting on the report, Mr John Falloon, the minister of agriculture, said the achievement in the past year was significant as agriculture had a difficult year. He thought the outlook was promising in view of to the country's increasing competitiveness.

The report says prospects for dairy and sheepmeat exports are good, while for venison, wine and well organised horticultural products they were encouraging.

Not so good, however, is the short term outlook for wool, with prices and demand down and the Wool Board still holding 360,000 bales. The ministry says that recovery in world economic growth is needed for there to be any significant upturn in the wool market.

It sees better prospects for sheepmeat, with lamb prices in Europe higher. Payments for all grades of lamb will rise by more than 25 per cent a head this season, it estimates. The report warns, however, that sheep numbers in Europe are increasing.

It says the outlook is good for all dairy products, except butter, where prices are likely to remain depressed. Export returns from deer products, such as venison and antler velvet, in demand in Asia as a supposed sexual stimulant, continue to rise and prices are expected to remain stable.

New Zealand pigmeat production rose 10 per cent, reflecting lower feed costs, the ministry says. Chicken's share of the domestic food market rose from 14.5 to 20 per cent. The country's beef cattle herd rose 1.7 per cent to 4.75m, and is expected to continue growing over the next two years.

# New York exchange makes time for night shift

## Laurie Morse reports on the launch of an after-hours electronic trading system

WHEN THE New York Mercantile Exchange, the world's largest energy market, launches its after-hours electronic trading system next Thursday it will bring something novel to the crowded field of computer markets. Instead of flashing bids and offers for securities, Nymex's Access screens will list a unique menu of commodity derivatives.

Access (an acronym for American computerised commodity exchange system and services) will initially offer futures and options on Nymex crude oil, heating oil and New York Harbor unleaded gasoline and platinum futures. Operating from 5.00 pm to 8.00 am (New York time), Sunday to Thursday, the system will intensify competition between the New York products and those traded on London's International Petroleum Exchange.

The energy markets in New York and London already compete head-to-head. The IPE's regular trading day is a marathon 11 hours, overlapping with Nymex's 8.20 am to 3.10 pm floor session. Mr Patrick Thompson, the Nymex president, dismisses suggestions that Access will draw business away from the IPE. He says both markets could see volume increase if arbitrage between their respective contracts expands.

Mr Patrick Thompson, the Nymex president, dismisses suggestions that business wil be drawn away from the IPE.

A crucial factor in the success of Access is whether there is round-the-clock demand for commodity derivatives. Computer-traded financial derivatives like Eurodollars and foreign exchange have continuous cash markets. Spot trading in commodities is usually specific to one time zone, with traders rarely "passing the book" across continents overnight. Pricing futures and options without a "live" spot market is treacherous, traders acknowledge.

Most of Nymex's cash market trades in Texas, during US business hours.

Ironically, the night computer session covers Asian business hours – a slow period for energy trading – but misses an important chunk of the busy US spot trading day. Nymex officials say they are working to narrow the gap between the 3.10 pm trading floor close and the 5.00 pm Access opening, at the behest of Houston, Texas, and US west coast oil traders.

The Access launch comes just a year after a partnership between the Chicago Mercantile Exchange, the Chicago Board of Trade, and Reuters turned on Globex, an elaborate overnight electronic trading system with global ambitions for derivative products. Globex lists financial products from the two Chicago exchanges and the French futures exchange, Matif. Globex trading has been sluggish, boosted only recently by local interest in Matif products in France.

For now, Access and Globex have no competing products, and many US brokerage houses will operate Globex and Access terminals side-by-side. Having Globex pioneer the process was useful for Nymex. "We watched very carefully what happened to Globex. We watched every pot hole they stepped in, regulatory and technical, and tried to avoid it," says Mr Thompson.

Nymex officials say their strategy for Access is much more modest than Globex. "We aren't traveling around the globe trying to sign up other exchanges," says Mr Thompson. Access terminals will be installed only in the US, although the exchange has had sufficient interest from London to seek regulatory approval to put Access work stations there.

Volume ambitions are also modest. A $20m system, Access was developed in partnership with AT&T, the giant American telephone company, and the Chicago software firm, Task Management. Nymex has guaranteed AT&T substantial revenue from Access, though officials decline to name the amount. Market observers estimate that it would have to trade about 8,000 contracts a night to meet the guarantee, though Access officials say they will be satisfied with a nightly turnover of 1,000 to 1,500 contracts in the first year.

Partly because of the financial pressures, Nymex hopes to open Access as a sort of daytime bulletin board for low volume products and cash derivatives, like natural gas swaps, sometime next year.

Long-term plans for Access are much less modest. Mr Thompson expects the system to have international penetration within three years, and nightly volume of over 15,000 contracts. If the Nymex's proposed merger with the New York Commodity Exchange goes ahead Comex's precious metals contracts would quickly be listed on Access.

While Nymex officials are playing down the plans, direct challenges to Globex financial products are also in the works. Negotiations are under way with Finex (an arm of the New York Cotton Exchange) to list its dollar index future, and with Simex, the Singapore futures exchange, to list its energy and financial products, including its growing franchise in Eurodollar futures.

# WORLD COMMODITIES PRICES

## MARKET REPORT

PALLADIUM hit its fourth 38-month high fixing since June 10 at $128.50 a troy ounce yesterday afternoon on the London bullion market. The rise was based on tight supply, steady physical off-take and strong charts, dealers and analysts said. They are now looking to $130 in the short term with $140 pencilled in as a medium term target. Prices have increased by around 35 per cent from around $95 in early December, analysts said. "Physical demand has been generally good for several months, especially from Japan and the US but palladium is now finding a bit of speculative interest coming in," one dealer said. Meanwhile dealers deemed Russian sales to the market as "orderly." Other precious metals remained in relatively tight ranges. But on New York's Comex GOLD futures were higher in late trading after local traders succeeded in triggering buy stop orders above $372 a troy ounce for the August contract. On the LME TIN continued to recover from its recent slide to 20-year lows, although market sentiment remained shaky, as all the signs were that producers would boost exports. Three-month metal closed at $5,142.50 a tonne, up $30.

**Compiled from Reuters**

## London Markets

| SPOT MARKETS | | |
|---|---|---|
| **Crude oil (per barrel FOB)(Jul)** | | + or - |
| Dubai | $15.34-5.38z | -0.22 |
| Brent Blend (dated) | $17.13-7.15 | -0.21 |
| Brent Blend (Aug) | $17.50-7.52 | -0.19 |
| W.T.I (1 pm est) | $18.91-8.95z | -0.23 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | + or - |
| Premium Gasoline | $201-203 | +1 |
| Gas Oil | $164-166 | +0.5 |
| Heavy Fuel Oil | $58-60 | |
| Naphtha | $173-175 | +1 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $371.15 | +1.80 |
| Silver (per troy oz)♣ | 438.0c | +5.0 |
| Platinum (per troy oz) | $379.75 | +0.25 |
| Palladium (per troy oz) | $128.50 | +0.75 |
| Copper (US Producer) | 88.50 | |
| Lead (US Producer) | 34.68c | |
| Tin (Kuala Lumpur market) | 12.80r | |
| Tin (New York) | 234.5c | +1.5 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 143.37p | -3.71* |
| Sheep (live weight)†♠ | 111.78p | +1.57* |
| Pigs (live weight)† | 86.37p | -2.07* |
| London daily sugar (raw) | $275.6 | -6.2 |
| London daily sugar (white) | $280.5 | +0.5 |
| Tate and Lyle export price | £295.0 | -2.5 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | £168.5t | |
| Wheat (US Dark Northern) | £141.5t | |
| Rubber (Jul)♥ | 58.00p | +0.25 |
| Rubber (Aug)♥ | 58.25p | +0.25 |
| Rubber (KL RSS No 1 Jul) | 207.5m | -1.5 |
| Coconut oil (Philippines)§ | $420.0v | -5.0 |
| Palm Oil (Malaysian)§ | $355.0y | +2.5 |
| Copra (Philippines)§ | $278.0 | |
| Soyabeans (US) | £177.5u | +2.0 |
| Cotton "A" Index | 58.25c | -0.05 |
| Wooltops (64s Super) | 357p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug. v-Jul/Aug u-Jul t-Jun ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| White | Close | Previous | High/Low | |
| Aug | 285.30 | 284.60 | 287.00 | 284.50 |
| Oct | 278.50 | 277.30 | 281.50 | 277.10 |
| Dec | 279.30 | 278.70 | 280.50 | |
| Mar | 280.00 | 280.00 | 282.70 | 279.90 |
| May | 283.80 | 284.00 | 284.70 | 282.60 |
| Aug | 287.30 | 288.00 | 288.70 | |
| Oct | 279.30 | | 279.00 | |

White 1049 (2267) Paris- White (FFr per tonne): Aug 1591.87 Oct 1562.78

| CRUDE OIL – IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Aug | 17.50 | 17.66 | 17.84 | 17.46 |
| Sep | 17.73 | 17.88 | 18.04 | 17.72 |
| Oct | 17.98 | 18.11 | 18.21 | 17.98 |
| Nov | 18.08 | 18.28 | 18.34 | 18.08 |
| Dec | 18.22 | 18.42 | 18.44 | 18.22 |
| Jan | 18.39 | | 18.50 | 18.39 |
| Mar | 18.56 | | 18.56 | |
| IPE Index | 17.82 | 17.39 | 17.82 | |

Turnover 26000 (30468)

| GAS OIL – IPE | | | $/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 164.50 | 163.75 | 165.75 | 164.00 |
| Aug | 166.25 | 165.75 | 167.25 | 166.00 |
| Sep | 168.50 | 168.00 | 169.25 | 168.50 |
| Oct | 171.75 | 171.75 | 173.00 | 171.75 |
| Nov | 176.00 | 174.25 | 174.75 | 174.25 |
| Dec | 176.75 | 176.25 | 177.00 | 176.25 |
| Jan | 178.00 | 177.25 | 178.00 | 177.50 |

Turnover 10659 (15367) lots of 100 tonnes

**FRUIT & VEGETABLES**

The start of the English soft fruit season has started with homegrown strawberries now in the shops at £1.20-1.40 a lb (£1.40-1.60).Cherries at £1.00-1.20p (£1.00-1.20 a lb) are a good buy along with pineapples at 90p-£1.30 each (90p-£1.30).The first plentiful supplies of new season English Broad beans have arrived and are priced at 35-40p a lb (55-65p a lb). Spring greens at 40-45p a lb (40-45p) and English potatoes at 15-22p a lb (12-20p) are also good vegetable buys. English Iceberg is the best salad buy at 50-65p each (55-65p). Other salad produce worth looking out for are: English & Dutch tomatoes at 45-60p a lb (55-65p).

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 687 | 680 | 690 | 675 |
| Sep | 699 | 694 | 700 | 683 |
| Dec | 714 | 710 | 715 | 702 |
| Mar | 730 | 726 | 733 | 720 |
| May | 744 | 743 | 748 | 738 |
| Jul | 757 | 758 | 761 | 754 |
| Sep | 770 | 772 | 775 | 768 |
| Dec | 792 | | 791 | |
| Mar | 813 | 813 | 819 | 805 |

Turnover: 12740 (22917) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 16 704.31 (693.75) 10 day average for Jun 17 680.58 (678.62)

| COFFEE – London FOX | | | $/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 907 | 899 | 907 | 895 |
| Sep | 926 | 915 | 927 | 913 |
| Nov | 931 | 920 | 930 | 919 |
| Jan | 929 | 919 | 928 | 920 |

Turnover: 3754 (2718) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 16 Comp. daily 54.32 (55.24) 15 day average 54.48 (54.58)

| POTATOES – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Apr | 89.6 | 91.3 | 92.0 | 88.7 |
| May | 97.0 | 98.0 | 98.0 | |

Turnover 51 (92) lots of 20 tonnes.

| SOYAMEAL – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Aug | 147.30 | 146.30 | |

Turnover 0 (0) lots of 20 tonnes.

| FREIGHT – London FOX | | | $10/index point | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 1475 | 1473 | 1480 | 1475 |
| Jul | 1335 | 1345 | 1350 | 1335 |
| BFI | 1526 | 1534 | 1526 | |

Turnover 93 (104)

| GRAINS – London FOX | | | £/tonne | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| Jun | 134.50 | 134.75 | 135.00 | |
| Sep | 106.60 | 106.75 | 106.75 | |
| Nov | 108.05 | 108.55 | 108.50 | 108.10 |
| Jan | 110.90 | 111.20 | 111.00 | 110.85 |
| Mar | 113.00 | 113.60 | 113.40 | 113.00 |
| May | 115.00 | 115.80 | 115.60 | 115.00 |
| Barley | Close | Previous | High/Low | |
| Sep | 104.75 | 104.65 | 104.75 | |
| Nov | 107.50 | 107.60 | 107.70 | 107.50 |
| May | 113.40 | 113.65 | 113.40 | |

Turnover: Wheat 263 (104), Barley 33 (29).
Turnover lots of 100 Tonnes.

| PIGS – London FOX | | | (Cash Settlement) p/kg |
|---|---|---|---|
| | Close | Previous | High/Low |
| Jul | 107.5 | 107.0 | 107.0 |
| Apr | 106.0 | | 105.0 |

Turnover:7 (29)lots of 3,250 kg

| LONDON METAL EXCHANGE | | | | (Prices supplied by Amalgamated Metal Trading) | | |
|---|---|---|---|---|---|---|
| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 28,034 lots |
| Cash | 1151-2 | 1154-5 | | 1156-6.5 | | |
| 3 months | 1175-5.5 | 1178-9 | 1180.5/1174 | 1179.5-80.0 | 1174-4.5 | 191,554 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 60,473 lots |
| Cash | 1235-6 | 1234.5-5.5 | 1234 | 1233-4 | | |
| 3 months | 1241-1.5 | 1242-3 | 1245/1234 | 1241.5-2.0 | 1234-4.5 | 217,140 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 3,214 lots |
| Cash | 263-3.5 | 265-5.5 | 263 | 262.5-2.75 | | |
| 3 months | 272.5-3.0 | 274.5-5.0 | 274/272.5 | 272.5-3.0 | 272.5-3.5 | 20,464 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 4,841 lots |
| Cash | 5540-50 | 5535-40 | 5620/5518 | 5518-20 | | |
| 3 months | 5605-15 | 5601-5 | 5620/5580 | 5580-2 | 5610-5 | 51,063 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,972 lots |
| Cash | 5080-5 | 5050-5 | | 5080-90 | | |
| 3 months | 5140-5 | 5110-5 | 5160/5120 | 5135-40 | 5140-50 | 9,885 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 7,420 lots |
| Cash | 923.5-4.5 | 919.5-20.5 | 921.5/921 | 920.5-1.5 | | |
| 3 months | 942-3 | 938.5-9.0 | 945/939.5 | 939-9.5 | 943.5-4.0 | 68,422 lots |

LME Closing £/$ rate: SPOT: 1.5155 3 months: 1.5061 6 months: 1.4985 9 months: 1.4920

| LONDON BULLION MARKET (Prices supplied by N M Rothschild) | | |
|---|---|---|
| Gold (troy oz) | $ price | £ equivalent |
| Close | 370.90-371.40 | |
| Opening | 368.85-369.25 | |
| Morning fix | 369.40 | 245.972 |
| Afternoon fix | 369.45 | 244.282 |
| Day's high | 371.35-371.75 | |
| Day's low | 367.75-368.25 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 2.35 | 6 months | 2.44 |
| 2 months | 2.38 | 12 months | 2.50 |
| 3 months | 2.40 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 285.55 | 432.60 |
| 3 months | 289.45 | 435.65 |
| 6 months | 293.55 | 439.40 |
| 12 months | 301.50 | 447.30 |

| GOLD COINS | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 369.00-372.00 | 245.00-247.00 |
| Maple leaf | 381.30-383.50 | |
| New Sovereign | 87.50-90.50 | 58.00-60.00 |

| TRADED OPTIONS | | | | |
|---|---|---|---|---|
| **Aluminium (99.7%)** | Calls | | Puts | |
| Strike price $ tonne | Aug | Oct | Aug | Oct |
| 1150 | 36 | 62 | 19 | 27 |
| 1175 | 25 | 48 | 32 | 38 |
| 1200 | 15 | 38 | 47 | 51 |
| **Copper (Grade A)** | Calls | | Puts | |
| 1800 | 96 | 123 | 30 | 57 |
| 1850 | 66 | 96 | 60 | 79 |
| 1900 | 45 | 73 | 77 | 106 |
| **Coffee** | Sep | Nov | Sep | Nov |
| 850 | 87 | 80 | 11 | 23 |
| 900 | 53 | 74 | 27 | 43 |
| 950 | 29 | 50 | 53 | 60 |
| **Cocoa** | Sep | Dec | Sep | Dec |
| 700 | 22 | 46 | 23 | 34 |
| 725 | 13 | 35 | 39 | 48 |
| 750 | 8 | 27 | 58 | 63 |
| **Brent Crude** | Aug | Dec | Aug | Dec |
| 1800 | 17 | - | 42 | - |
| 1850 | 5 | - | 76 | - |
| 1900 | 1 | 22 | - | - |

## New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 371.0 | 370.3 | 372.8 | 369.8 |
| Jul | 371.4 | 370.7 | 0 | 0 |
| Aug | 372.2 | 371.5 | 373.9 | 369.7 |
| Oct | 373.9 | 373.1 | 375.1 | 372.0 |
| Dec | 375.5 | 374.7 | 377.3 | 373.0 |
| Feb | 377.0 | 376.3 | 378.5 | 378.5 |
| Apr | 378.6 | 377.9 | 380.0 | 379.4 |
| Jun | 380.2 | 379.5 | 0 | 0 |
| Aug | 381.9 | 381.2 | 0 | 0 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 381.5 | 383.5 | 384.5 | 381.0 |
| Oct | 380.8 | 382.7 | 384.0 | 380.0 |
| Jan | 380.1 | 383.5 | 383.0 | 381.7 |
| Apr | 379.6 | 384.0 | 384.0 | 384.0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 433.8 | 432.9 | 431.5 | 431.5 |
| Jul | 434.0 | 433.3 | 436.0 | 431.0 |
| Aug | 435.6 | 434.9 | 438.5 | 438.5 |
| Sep | 437.2 | 436.4 | 441.5 | 434.0 |
| Dec | 441.9 | 441.1 | 446.0 | 439.5 |
| Jan | 442.5 | 441.7 | 0 | 0 |
| Mar | 446.4 | 445.6 | 451.0 | 446.0 |
| May | 449.8 | 449.0 | 454.0 | 452.5 |
| Jul | 452.9 | 452.1 | 0 | 0 |
| Sep | 456.3 | 455.5 | 0 | 0 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 83.15 | 82.95 | 83.60 | 83.15 |
| Jul | 83.35 | 83.15 | 83.90 | 83.20 |
| Aug | 83.55 | 83.35 | 0 | 0 |
| Sep | 83.80 | 83.55 | 84.50 | 83.70 |
| Oct | 83.90 | 83.65 | 0 | 0 |
| Nov | 84.00 | 83.75 | 0 | 0 |
| Dec | 84.10 | 83.90 | 84.70 | 84.05 |
| Jan | 84.20 | 84.00 | 0 | 0 |
| Feb | 84.35 | 84.15 | 0 | 0 |
| Mar | 84.45 | 84.30 | 84.75 | 84.70 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 18.62 | 18.84 | 19.02 | 18.55 |
| Aug | 18.94 | 19.17 | 19.32 | 18.89 |
| Sep | 19.24 | 19.43 | 19.54 | 19.17 |
| Oct | 19.44 | 19.60 | 19.71 | 19.37 |
| Nov | 19.54 | 19.71 | 19.82 | 19.42 |
| Dec | 19.62 | 19.80 | 19.92 | 19.60 |
| Jan | 19.74 | 19.87 | 19.96 | 19.70 |
| Feb | 19.77 | 19.92 | 19.97 | 19.80 |
| Mar | 19.85 | 19.96 | 19.93 | 19.80 |
| Apr | 19.97 | 19.97 | 0 | 0 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 51.85 | 52.45 | 52.85 | 51.56 |
| Aug | 52.50 | 53.19 | 53.60 | 52.35 |
| Sep | 53.65 | 54.26 | 54.55 | 53.50 |
| Oct | 54.85 | 55.33 | 55.65 | 54.50 |
| Nov | 55.90 | 56.38 | 56.70 | 55.85 |
| Dec | 56.80 | 57.36 | 57.65 | 56.80 |
| Jan | 57.50 | 57.96 | 58.25 | 57.45 |
| Feb | 57.50 | 57.81 | 58.15 | 57.50 |
| Mar | 56.35 | 56.71 | 57.05 | 56.30 |
| Apr | 55.50 | 55.51 | 56.00 | 55.75 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 888 | 859 | 892 | 860 |
| Sep | 913 | 893 | 921 | 897 |
| Dec | 948 | 933 | 956 | 938 |
| Mar | 985 | 971 | 995 | 976 |
| May | 1008 | 994 | 1014 | 1010 |
| Jul | 1030 | 1016 | 1036 | 1033 |
| Sep | 1054 | 1040 | 1057 | 1043 |
| Dec | 1085 | 1071 | 1087 | 1088 |
| Mar | 1122 | 1108 | 1117 | 1104 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 61.70 | 59.20 | 61.80 | 58.90 |
| Sep | 63.75 | 61.05 | 63.90 | 61.05 |
| Dec | 66.65 | 64.10 | 66.90 | 64.10 |
| Mar | 68.80 | 66.20 | 68.50 | 66.45 |
| May | 70.50 | 67.80 | 70.50 | 68.30 |
| Jul | 72.10 | 69.25 | 0 | 0 |
| Sep | 73.60 | 70.75 | 73.50 | 73.50 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 10.49 | 10.52 | 10.72 | 10.45 |
| Oct | 10.97 | 10.86 | 11.12 | 10.85 |
| Mar | 10.78 | 10.65 | 10.85 | 10.68 |
| May | 10.71 | 10.60 | 10.75 | 10.62 |
| Jul | 10.55 | 10.40 | 10.55 | 10.54 |
| Oct | 10.41 | 10.30 | 10.41 | 10.40 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 58.97 | 58.97 | 59.20 | 56.75 |
| Oct | 57.92 | 57.87 | 58.15 | 57.60 |
| Dec | 57.37 | 57.45 | 57.55 | 57.11 |
| Mar | 58.37 | 58.46 | 58.65 | 58.26 |
| May | 59.09 | 59.20 | 59.10 | 59.01 |
| Jul | 59.65 | 59.80 | 59.80 | 59.70 |
| Oct | 59.65 | 59.67 | 0 | 0 |
| Dec | 60.07 | 60.00 | 60.15 | 60.15 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 114.55 | 111.55 | 114.60 | 109.50 |
| Sep | 117.55 | 114.95 | 117.80 | 113.00 |
| Nov | 120.50 | 117.40 | 120.80 | 115.50 |
| Jan | 122.10 | 118.80 | 122.10 | 118.25 |
| Mar | 123.10 | 119.80 | 122.00 | 119.80 |
| May | 124.50 | 120.80 | 0 | 0 |
| Jul | 124.50 | 120.25 | 120.00 | 120.00 |
| Sep | 124.50 | 120.25 | 0 | 0 |
| Nov | 124.50 | 120.25 | 0 | 0 |

**INDICES**

| REUTERS (Base:September 18 1931 = 100) | | | |
|---|---|---|---|
| Jun.17 | Jun.16 | mnth ago | yr ago |
| 1654.6 | 1660.3 | 1676.6 | 1592.3 |

| DOW JONES (Base: Dec. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| | Jun.16 | Jun.15 | mnth ago | yr ago |
| Spot | 119.52 | 119.83 | n/a | 119.19 |
| Futures | 120.08 | 120.63 | n/a | 120.12 |

## Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 601/2 | 586/0 | 603/4 | 591/0 |
| Aug | 600/4 | 584/2 | 602/4 | 590/0 |
| Sep | 598/4 | 581/2 | 601/0 | 588/4 |
| Nov | 599/0 | 581/2 | 603/0 | 589/0 |
| Jan | 605/2 | 587/6 | 608/0 | 595/4 |
| Mar | 611/0 | 594/0 | 614/0 | 603/0 |
| May | 614/0 | 597/4 | 616/0 | 605/4 |
| Jul | 616/4 | 600/4 | 618/0 | 608/4 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 21.01 | 20.33 | 21.26 | 20.50 |
| Aug | 21.15 | 20.45 | 21.38 | 20.69 |
| Sep | 21.28 | 20.59 | 21.49 | 20.82 |
| Oct | 21.41 | 20.71 | 21.60 | 20.96 |
| Dec | 21.71 | 20.93 | 21.90 | 21.16 |
| Jan | 21.80 | 21.05 | 21.95 | 21.32 |
| Mar | 22.00 | 21.25 | 22.10 | 21.57 |
| May | 22.19 | 21.45 | 22.20 | 21.70 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 189.2 | 184.9 | 190.1 | 186.2 |
| Aug | 189.2 | 184.9 | 190.2 | 186.4 |
| Sep | 189.7 | 184.8 | 190.2 | 186.5 |
| Oct | 189.8 | 184.8 | 190.0 | 186.5 |
| Dec | 190.9 | 185.4 | 192.6 | 187.5 |
| Jan | 190.8 | 185.6 | 191.5 | 188.0 |
| Mar | 191.7 | 186.2 | 193.0 | 188.9 |
| May | 192.7 | 187.5 | 194.0 | 189.5 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 215/0 | 213/4 | 216/6 | 214/2 |
| Sep | 221/2 | 219/6 | 223/0 | 220/4 |
| Dec | 229/6 | 228/0 | 231/6 | 229/2 |
| Mar | 237/0 | 235/6 | 238/6 | 236/6 |
| May | 241/6 | 241/0 | 243/6 | 241/6 |
| Jul | 245/2 | 244/6 | 247/0 | 245/2 |
| Sep | 242/4 | 242/4 | 243/0 | 242/4 |
| Dec | 241/2 | 242/2 | 243/4 | 241/2 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 277/4 | 278/4 | 280/4 | 277/0 |
| Sep | 283/2 | 283/2 | 284/6 | 282/2 |
| Dec | 295/2 | 294/6 | 296/4 | 294/0 |
| Mar | 301/0 | 301/0 | 302/4 | 300/0 |
| May | 301/0 | 300/2 | 302/0 | 300/2 |
| Jul | 301/0 | 300/2 | 302/0 | 300/2 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 76.725 | 76.625 | 76.800 | 76.475 |
| Aug | 74.550 | 74.550 | 74.775 | 74.275 |
| Oct | 74.825 | 75.100 | 75.200 | 74.750 |
| Dec | 75.050 | 75.075 | 75.350 | 75.000 |
| Feb | 74.775 | 74.750 | 75.150 | 74.700 |
| Apr | 75.850 | 75.775 | 76.100 | 75.650 |
| Jun | 72.900 | 72.825 | 73.300 | 72.800 |

| LIVE HOGS 40,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 51.875 | 50.850 | 51.950 | 50.850 |
| Jul | 48.300 | 47.875 | 48.600 | 48.050 |
| Aug | 46.050 | 45.600 | 46.350 | 45.775 |
| Oct | 40.925 | 40.550 | 41.075 | 40.550 |
| Dec | 41.300 | 40.900 | 41.475 | 40.950 |
| Feb | 41.250 | 41.000 | 41.675 | 41.100 |
| Apr | 40.500 | 40.300 | 40.900 | 40.425 |
| Jun | 46.325 | 45.825 | 46.500 | 45.900 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 34.925 | 33.250 | 35.000 | 33.650 |
| Aug | 34.300 | 32.825 | 34.550 | 33.125 |
| Feb | 39.925 | 39.650 | 40.550 | 39.700 |
| Mar | 39.200 | 39.025 | 40.125 | 39.200 |
| May | 41.100 | 40.700 | 41.300 | 0 |
| Jul | 40.800 | 41.200 | 41.425 | 40.800 |

# LONDON STOCK EXCHANGE

# Shares easier ahead of futures expiry

By Terry Byland, UK Stock Market Editor

A CLUTCH of essentially favourable statistics on the domestic economy did little yesterday to help a UK stock market overshadowed by the prospect of the expiry this morning in several important global derivatives markets. Base rate hopes receded as the Bundesbank made no move and a further fall in UK unemployment in May appeared to reduce political pressure for a rate cut.

Share prices, which had moved firmly as the financial markets awaited the economic data, refused to follow government bonds higher in the second half of the session. The September contract on the FT-SE 100 Index, which takes over as the market leader when the June contract expires this morning, dipped below 2,900 and shares began to wilt. Today also brings Triple Witching Hours, or important derivatives expiries, in US and German markets.

At best, the FT-SE 100 touched 2,889.2, strengthening hopes that the market is about to break out on the upside of its present range. By the close, however, the index had turned down to register a net decline of 7.3 at 2,875.7.

Strategists ascribed the market's dull close entirely to pressures linked to the impending expiry of the June contract on the Footsie. The FT-SE Mid 250 Index, covering a range of second line issues, scraped through to a new closing peak of 3,213, just under the best of the session.

Trading volume was unimpressive at 555.4m shares, with the proportion of non-Footsie shares, at around 59 per cent, again restrained by the futures-related activity in the blue chips. On Wednesday, Seaq volume of 607.3m shares reflected retail business worth £1.39bn, which was at the higher end of the healthy business levels of the past nine months.

The largely unexpected fall to 10.4 per cent in domestic unemployment in May was regarded as good news for the UK government, as was the sustained annualised inflation rate of 1.3 per cent. In the near term, these statistics may have disappointed equity market hopes for a base rate reduction but the wider implications for the recovery in the domestic economy are likely to help the stock market.

There were few features among equities yesterday and the leading securities houses were preoccupied with the futures settlement. Pharmaceutical stocks attracted support on the back of currency factors, but interest faded when Wall Street made a slow opening to the new session, shedding 2.21 Dow points in London hours. Both ICI and Zeneca were friendless.

Disappointment with the 0.2 per cent fall in UK April retail sales, announced earlier this week, cast a cloud over the store and retail sector, which also reflected the waning of interest rate hopes. But brewery stocks attracted buyers.

The London stock market appeared last night to have successfully survived a week featured by a series of potential pitfalls, in the shape of the important speech by the new chancellor of the exchequer in the City of London and also the list of economic data.

Today also brings the latest statistics on UK money supply. Equity strategists appeared satisfied last night with forecasts that money supply M4 will continue to show a minor gain and that the rise in M4 bank lending will moderate.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ASDA Group† | 14,000 | 72½ | +1 |
| Abbey National† | 1,000 | 419 | -1 |
| Albert Fisher | 2,600 | 68 | |
| Allied-Lyons† | 1,800 | 532 | -5 |
| Anglian Water† | 368 | 476 | -8 |
| Argos | 243 | 310 | |
| Argyll Group† | 6,200 | 335 | -5 |
| Arjo Wiggins† | 1,900 | 189 | +1 |
| Ass. Brit. Foods† | 291 | 475 | |
| Ass. Brit. Ports | 253 | 433 | |
| BAA† | 1,000 | 721 | -7 |
| BAT Inds.† | 2,300 | 424 | -4 |
| BET | 2,100 | 112 | +3 |
| BICC | 1,800 | 383 | -2 |
| BOC† | 749 | 692 | +3 |
| BP† | 5,000 | 310 | +½ |
| BPB Inds. | 1,300 | 233 | +2 |
| BT† | 4,300 | 423 | -2 |
| BTR† | 4,700 | 354 | -5 |
| Bank of Scotland† | 2,100 | 149 | -½ |
| Barclays† | 2,600 | 482 | -3 |
| Bass† | 3,200 | 484 | +2 |
| Blue Circle† | 3,100 | 257 | +5 |
| Booker | 1,200 | 381 | +13 |
| Boots† | 1,200 | 440 | -2 |
| Bowater† | 917 | 480 | +1 |
| Brit. Aerospace | 1,200 | 401 | |
| British Airways† | 7,300 | 298 | +3 |
| British Gas† | 6,800 | 301 | |
| British Land | 895 | 313 | +4 |
| British Steel† | 3,600 | 103 | -1 |
| Bunzl | 1,300 | 128 | +1 |
| Burmah Castrol† | 250 | 691 | +3 |
| Burton | 17,000 | 86¾ | +1 |
| Cable & Wire.† | 1,700 | 738 | -8 |
| Cadbury Schweppes† | 1,000 | 451 | -7 |
| Calor Group | 195 | 240 | -2 |
| Carlton Comms.† | 355 | 776 | |
| Coats Viyella† | 2,300 | 235 | -1½ |
| Comm. Union† | 758 | 592 | +2 |
| Cookson | 1,700 | 211 | -2 |
| Courtaulds† | 584 | 544 | |
| Dalgety | 1,000 | 462 | +6 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| De La Rue† | 535 | 673 | +7 |
| Dixons | 1,000 | 215 | -1 |
| Eastern Elect. | 257 | 472 | |
| East Midland Elect | 866 | 454 | -4 |
| Eng China Clays | 480 | 438 | +1 |
| Enterprise Oil† | 221 | 488 | |
| Eurotunnel Units | 38 | 420 | |
| FKI | 2,600 | 139½ | +3 |
| Fisons† | 4,600 | 175 | +3 |
| Foreign & Col. I.T. | 437 | 229 | -1 |
| Forte† | 1,800 | 219 | -1 |
| Gen. Accident† | 444 | 579 | +1 |
| General Elect.† | 3,700 | 335 | -1 |
| Glaxo† | 3,800 | 595 | +1 |
| Glynwed Int. | 829 | 302 | |
| Granada† | 6,300 | 420 | +5 |
| Grand Met.† | 2,800 | 407 | -5 |
| GUS A† | 388 | 1720 | |
| GRE† | 1,900 | 177 | |
| GKN | 405 | 458 | -2 |
| Guinness† | 2,800 | 495 | +6 |
| HSBC (75p shs)† | 2,800 | 646 | -31 |
| Hammerson "A" | 658 | 338 | +9 |
| Hanson† | 5,600 | 229 | -2 |
| Hanson Warrants | 915 | 32 | -½ |
| Harrisons Crosfield | 862 | 175 | -3 |
| Hillsdown | 5,300 | 140 | |
| IMI | 124 | 292 | -2 |
| ICI† | 4,000 | 687 | -4 |
| Inchcape† | 783 | 581 | -3 |
| Johnson Matthey | 310 | 449 | -3 |
| Kingfisher† | 532 | 589 | +1 |
| Kwik Save† | 300 | 721 | -6 |
| Ladbroke† | 8,100 | 181½ | +2½ |
| Land Securities† | 7,100 | 580 | +3 |
| Laporte | 283 | 689 | |
| Legal & General† | 1,500 | 468 | +3 |
| Lloyds Abbey | 136 | 434 | -1 |
| Lloyds Bank† | 3,400 | 580 | +5 |
| LASMO† | 1,000 | 159 | +1 |
| London Elect. | 474 | 464 | +1 |
| Lonrho | 2,700 | 108½ | +1½ |
| Lucas | 8,000 | 131 | -5 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| MB Caradon† | 1,100 | 281 | +1 |
| MEPC | 700 | 403 | +5 |
| MFI | 2,700 | 138 | +1 |
| Manweb | 174 | 531 | +4 |
| Marks & Spencer† | 2,800 | 334 | -1 |
| Midlands Elect. | 335 | 471 | -7 |
| Morrison (Wm.) | 538 | 168 | +1 |
| NFC† | 3,000 | 242 | -7 |
| NatWest Bank† | 2,300 | 475 | |
| National Power† | 1,000 | 361 | -3 |
| Next | 1,900 | 168 | +1 |
| North West Water† | 1,400 | 467 | -7 |
| Northern Elect. | 351 | 515 | +7 |
| Northern Foods† | 2,800 | 250 | -1 |
| Norweb | 244 | 502 | +1 |
| Pearson† | [illegible] | [illegible] | [illegible] |
| P & O† | [illegible] | [illegible] | [illegible] |
| Pilkington | [illegible] | [illegible] | [illegible] |
| PowerGen† | [illegible] | [illegible] | [illegible] |
| Prudential† | [illegible] | [illegible] | [illegible] |
| RMC | [illegible] | [illegible] | [illegible] |
| RTZ† | [illegible] | [illegible] | [illegible] |
| Racal | [illegible] | [illegible] | [illegible] |
| Rank Org.† | [illegible] | [illegible] | [illegible] |
| Reckitt & Colman | [illegible] | [illegible] | [illegible] |
| Redland† | [illegible] | [illegible] | [illegible] |
| Reed Intl.† | [illegible] | [illegible] | [illegible] |
| Rentokil† | 1,100 | 185 | -1 |
| Reuters† | 618 | 1325 | |
| Rolls Royce | 3,200 | 150 | +½ |
| Rothmans† | 161 | 840 | +1 |
| Ryl Bk Scotland† | 1,000 | 281 | -1 |
| Royal Insurance† | 2,100 | 286 | -1 |
| Saatchi | 3,100 | 171 | +2 |
| Sainsbury† | 2,000 | 487 | -1 |
| Scottish & New.† | 1,100 | 465 | -5 |
| Scot. Hydro-Elect. | 1,000 | 339 | |
| Scottish Power† | 1,200 | 321 | |
| Sears† | 8,600 | 98 | -1 |
| Sedgwick | 2,700 | 190 | +1 |
| Seeboard | 182 | 517 | -6 |
| Severn Trent Water† | 1,900 | 483 | -13 |
| Shell Transport† | 1,700 | 626½ | +½ |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Siebe† | 1,000 | 463 | |
| Slough Ests | 1,000 | 209 | +3 |
| Smith (W.H.) A | 185 | 435 | -2 |
| Smith & Nephew† | 2,000 | 141½ | -½ |
| SmKl Beecham† | 3,500 | 451 | +5 |
| SmKl Beecham Uts† | 1,600 | 402 | +3 |
| Smiths Inds. | 90 | 350 | |
| Southern Elect† | 382 | 467 | |
| South Wales Elect. | 15 | 548 | -2 |
| South West Water | 202 | 486 | -2 |
| South West. Elect. | 14 | 480 | -2 |
| Southern Water | 271 | 505 | -4 |
| Standard Chartd.† | 355 | 794 | -1 |
| Storehouse | 2,700 | 207 | -1 |
| Sun Alliance† | 1,000 | 354 | -4 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Unilever† | 1,100 | 1030 | -6 |
| United Biscuits† | 983 | 395 | -2 |
| Utd. Newspapers | 143 | 571 | +1 |
| Vodafone† | 2,500 | 449 | -2 |
| Warburg (SG) | 164 | 725 | |
| Wellcome† | 1,700 | 720 | +6 |
| Welsh Water | 1,000 | 678 | +2 |
| Wessex Water | 605 | 581 | +4 |
| Whitbread "A"† | 1,400 | 491 | -2 |
| Williams Hldgs.† | 2,300 | 309 | +7 |
| Willis Corroon | 1,500 | 211 | +4 |
| Wimpey | 440 | 172 | |
| Wolseley | 440 | 639 | +6 |
| Yorkshire Elect. | 51 | 510 | -2 |
| Yorkshire Water | 545 | 499 | |
| Zeneca† | 5,200 | 621 | -2 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

### Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Jun 7 | Jun 21 | Jul 5 |
| Option Declarations: | | |
| Jun 17 | Jul 1 | Jul 15 |
| Last Dealings: | | |
| Jun 18 | Jul 2 | Jul 16 |
| Account Day: | | |
| Jun 28 | Jul 12 | Jul 26 |

*New time dealings may take place from 8.30am two business days earlier.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2875.7 −7.3 | 3213.5 +1.5 | 1420.99 −2.45 |

| | Jun 17 | Day's change % | Jun 16 | Jun 15 | Jun 14 | Year ago | Earnings yield % | Dividend yield % | P/E Ratio | Xd adj ytd |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2875.7 | −0.3 | 2883.0 | 2870.0 | 2885.5 | 2562.7 | 6.00 | 4.01 | 20.71 | 48.39 |
| FT-SE Mid 250 | 3213.5 | - | 3212.0 | 3205.1 | 3213.2 | 2599.8 | 5.75 | 3.65 | 21.98 | 41.69 |
| FT-SE-A 350 | 1435.0 | −0.2 | 1437.7 | 1432.0 | 1438.6 | 1252.5 | 5.86 | 3.93 | 20.98 | 22.91 |
| FT-SE SmallCap | 1638.01 | ..... | 1637.78 | 1636.84 | 1638.70 | - | 4.30 | 3.45 | 32.74 | 21.65 |
| FT-SE SmallCap ex Inv Trusts | 1644.33 | ..... | 1644.70 | 1644.35 | 1646.40 | - | 4.75 | 3.65 | 30.54 | 22.72 |
| FT-A ALL-SHARE | 1420.99 | −0.2 | 1423.44 | 1418.10 | 1424.50 | 1238.10 | 5.85 | 3.90 | 21.45 | 22.44 |
| 1 CAPITAL GOODS(212) | 1000.38 | −0.3 | 1003.55 | 1004.79 | 1011.89 | 848.95 | 4.43 | 3.95 | 30.05 | 16.58 |
| 2 Building Materials(27) | 1081.94 | ..... | 1082.38 | 1087.68 | 1095.48 | 960.06 | 3.53 | 4.35 | 40.69 | 18.38 |
| 3 Contracting, Construction(29) | 953.78 | +0.3 | 950.86 | 952.42 | 961.32 | 882.08 | 1.46 | 3.44 | 80.00† | 13.43 |
| 4 Electricals(15) | 2944.62 | −0.5 | 2958.40 | 2980.01 | 2987.15 | 2532.25 | 4.97 | 4.58 | 25.60 | 65.13 |
| 5 Electronics(37) | 2786.90 | −0.2 | 2792.97 | 2785.20 | 2812.33 | 1983.51 | 5.78 | 2.98 | 21.71 | 20.43 |
| 6 Engineering-Aerospace(7) | 416.35 | .... | 416.18 | 414.97 | 419.51 | 353.31 | ‡ | 3.55 | ‡ | 5.23 |
| 7 Engineering-General(51) | 572.97 | −0.4 | 575.50 | 573.02 | 575.10 | 530.38 | 6.37 | 3.68 | 19.57 | 8.32 |
| 8 Metals & Metal Forming(10) | 428.98 | −0.6 | 431.79 | 430.86 | 428.89 | 335.95 | 3.63 | 2.86 | 41.39 | 2.36 |
| 9 Motors(18) | 405.14 | −1.0 | 409.27 | 409.73 | 413.08 | 356.12 | 4.68 | 5.44 | 30.14 | 9.59 |
| 10 Other Industrials(18) | 2051.81 | −0.4 | 2060.98 | 2070.13 | 2086.52 | 1789.61 | 5.57 | 4.37 | 21.60 | 48.40 |
| 21 CONSUMER GROUP(235) | 1643.60 | +0.1 | 1642.70 | 1638.57 | 1649.42 | 1645.04 | 6.80 | 3.54 | 17.66 | 24.07 |
| 22 Brewers and Distillers(29) | 1894.10 | −0.1 | 1895.92 | 1867.37 | 1907.14 | 2142.65 | 8.33 | 3.67 | 14.55 | 23.21 |
| 25 Food Manufacturing(22) | 1303.09 | −0.3 | 1307.15 | 1315.18 | 1315.95 | 1248.42 | 7.56 | 3.91 | 15.96 | 22.26 |
| 26 Food Retailing(19) | 2998.87 | −0.2 | 3004.65 | 2998.97 | 3012.28 | 2884.08 | 8.48 | 3.49 | 14.62 | 36.84 |
| 27 Health & Household(30) | 3472.57 | +0.4 | 3460.17 | 3454.31 | 3455.59 | 3845.20 | 6.31 | 3.54 | 18.52 | 41.20 |
| 29 Hotels and Leisure(20) | 1339.81 | +0.5 | 1331.87 | 1314.27 | 1326.05 | 1289.35 | 6.44 | 4.41 | 19.40 | 25.55 |
| 30 Media(33) | 1975.24 | +0.2 | 1971.34 | 1973.67 | 1982.25 | 1571.56 | 5.09 | 2.80 | 24.85 | 23.60 |
| 31 Packaging and Paper(24) | 848.01 | +0.4 | 845.47 | 847.03 | 850.83 | 801.99 | 5.71 | 3.47 | 21.36 | 13.24 |
| 34 Stores(39) | 1144.80 | −0.1 | 1145.19 | 1139.29 | 1145.17 | 1073.19 | 6.42 | 3.13 | 19.57 | 16.81 |
| 35 Textiles(20) | 799.44 | −0.5 | 803.82 | 794.65 | 788.03 | 686.89 | 6.03 | 3.65 | 20.74 | 12.70 |
| 40 OTHER GROUPS(140) | 1491.33 | −0.5 | 1499.10 | 1491.45 | 1495.57 | 1364.67 | 7.21 | 4.26 | 16.96 | 20.30 |
| 41 Business Services(27) | 1591.61 | +0.1 | 1589.70 | 1589.94 | 1595.05 | 1412.02 | 5.89 | 2.88 | 20.64 | 14.38 |
| 42 Chemicals(23) | 1569.13 | −0.5 | 1574.48 | 1570.84 | 1569.10 | 1482.54 | 6.47 | 4.19 | ‡ | 33.39 |
| 43 Conglomerates(11) | 1411.06 | −0.7 | 1421.53 | 1415.10 | 1418.44 | 1284.65 | 7.44 | 5.32 | 15.14 | 29.85 |
| 44 Transport(15) | 2915.58 | −0.4 | 2927.54 | 2938.25 | 2940.03 | 2530.47 | 5.14 | 3.94 | 24.69 | 42.52 |
| 45 Electricity(16) | 1765.68 | −0.4 | 1773.08 | 1768.86 | 1769.65 | 1305.19 | 12.56 | 4.26 | 10.65 | 31.13 |
| 46 Telephone Networks(4) | 1773.18 | −0.5 | 1782.84 | 1763.92 | 1773.75 | 1403.88 | 5.96 | 3.78 | 20.63 | 1.63 |
| 47 Water(13) | 3260.46 | −1.1 | 3298.11 | 3244.27 | 3195.87 | 2697.77 | 13.43 | 5.41 | 8.19 | 57.67 |
| 48 Miscellaneous(31) | 2247.24 | −0.6 | 2260.27 | 2253.98 | 2280.14 | 2026.85 | 7.44 | 4.54 | 15.18 | 42.61 |
| 49 INDUSTRIAL GROUP(557) | 1444.70 | −0.2 | 1447.75 | 1443.94 | 1450.12 | 1326.70 | 6.51 | 3.86 | 18.96 | 21.18 |
| 51 Oil & Gas(19) | 2526.97 | +0.1 | 2524.09 | 2505.00 | 2518.12 | 2076.22 | 5.52 | 4.33 | 22.95 | 48.01 |
| 59 "500" SHARE INDEX(605) | 1539.59 | −0.2 | 1542.36 | 1537.48 | 1544.24 | 1397.31 | 6.40 | 3.91 | 19.33 | 23.32 |
| 61 FINANCIAL GROUP(89) | 1046.84 | −0.2 | 1050.99 | 1043.75 | 1049.57 | 734.81 | 3.63 | 4.56 | 40.91 | 20.91 |
| 62 Banks(9) | 1425.61 | −0.6 | 1458.28 | 1446.84 | 1450.99 | 923.98 | 4.27 | 3.72 | 32.26 | 28.48 |
| 65 Insurance (Life)(6) | 2025.63 | +0.4 | 2018.15 | 1992.57 | 2013.34 | 1487.40 | 4.75 | 4.41 | 26.51 | 47.49 |
| 66 Insurance (Composite)(7) | 647.33 | −0.2 | 648.56 | 646.32 | 654.90 | 535.86 | ‡ | 4.81 | ‡ | 15.60 |
| 67 Insurance (Brokers)(10) | 865.39 | +0.6 | 858.55 | 857.73 | 867.78 | 885.95 | 6.45 | 4.18 | 20.57 | 14.24 |
| 68 Merchant Banks(6) | 678.14 | +0.3 | 675.79 | 676.14 | 675.81 | 494.03 | 7.17 | 3.31 | 17.29 | 9.54 |
| 69 Property(39) | 877.78 | +0.7 | 871.95 | 869.25 | 878.69 | 650.82 | 4.86 | 4.64 | 27.45 | 16.71 |
| 70 Other Financial(23) | 376.42 | +0.1 | 376.11 | 376.23 | 377.13 | 247.43 | 5.92 | 4.41 | 22.68 | 4.71 |
| 71 Investment Trusts(109) | 1516.40 | +0.1 | 1515.60 | 1510.81 | 1513.89 | 1151.47 | 2.18 | 2.70 | 45.91 | 18.51 |
| 99 FT-A ALL-SHARE(802) | 1420.99 | −0.2 | 1423.44 | 1418.10 | 1424.50 | 1238.10 | 5.85 | 3.90 | 21.45 | 22.44 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2885.6 | 2888.9 | 2884.1 | 2882.0 | 2880.1 | 2877.4 | 2878.3 | 2875.7 | [illegible] | 2889.2 | 2874.8 |
| FT-SE Mid 250 | 3213.5 | 3214.7 | 3213.2 | 3214.9 | 3215.4 | 3215.0 | 3214.5 | 3214.7 | 3213.3 | 3215.7 | 3212.9 |
| FT-SE-A 350 | 1438.9 | 1440.3 | 1438.2 | 1438.4 | 1437.8 | 1436.9 | 1435.8 | 1436.1 | 1435.0 | 1440.3 | 1434.6 |

Time of FT-SE 100 high: 8.55am Low: 3.36pm

### FT-SE Actuaries 350 Industry Baskets

| Equity | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrn | 1827.8 | 1829.0 | 1830.6 | 1832.1 | 1833.3 | 1833.3 | 1834.0 | 1833.8 | 1834.2 | 1834.1 | 1827.5 | +6.6 |
| Health&H | 1051.7 | 1050.0 | 1053.1 | 1051.4 | 1050.1 | 1049.5 | 1048.7 | 1048.6 | 1045.7 | 1045.7 | 1041.9 | +3.8 |
| Water | 1358.3 | 1358.0 | 1361.0 | 1361.3 | 1354.3 | 1354.3 | 1354.6 | 1354.3 | 1346.2 | 1346.2 | 1362.1 | −15.9 |
| Banks | 1767.2 | 1769.9 | 1770.8 | 1771.7 | 1770.1 | 1768.9 | 1769.2 | 1768.1 | 1762.7 | 1762.9 | 1773.7 | −10.8 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.  "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. CONSTITUENT CHANGE: DELETION: Lee (Arthur) & Sons (8).

# Setback for Lucas

SHARES in engineering group Lucas Industries dived after analysts attending a dinner hosted by the company on Wednesday evening at the Paris Air Show came away with a bleak view of trading prospects across the company's markets.

The shares fell 7 to 129p early in the session, with Credit Lyonnais Laing said to have been among the sellers, and NatWest Securities reiterating its cautious stance on the stock.

There were suggestions from some quarters that the final dividend may be cut and that a restructuring of the company may have to take place. Several brokers moved to downgrade profit estimates and one said: "Trading remains gloomy and there may even be provisions to be made."

Nerves later steadied and the shares closed 5 off at 131p after volume of 6m. Market watchers are to meet the company next week.

## R-R foreign buying

Aero-engine manufacturer Rolls-Royce continued to attract overseas interest and edged forward a halfpenny to 150p in an otherwise poor day for the market. Volume was 3.2m shares.

US investment bank Lehman Brothers is among those institutions which have moved to satisfy continuing demand from overseas investors, following last week's company announcement that the foreign share ownership level had reached the maximum permitted of 29.5 per cent.

Lehman said it has issued 5m call warrants with a maturity date of December 1994 with the specific aim of satisfying European and US demand for Rolls-Royce.

Goldman Sachs, the US investment bank, was said earlier this week to be looking to make a similar move. Currently any further direct purchases by non-UK investors would have to be relinquished or transferred to UK ownership as soon as the company confirms the purchases, a move dictated by its articles of association.

## Clayform doubt

Analysts were quick to pour scorn on rumours that Clayform Properties, the company that has seen its share price leap this week after Mr Martin Landau's arrival as a significant stakeholder raised suggestions that he may use Clayform as a bid vehicle for a larger group.

Clayform has gone from 16p last Friday to its present price of 37p, having gained 4 yesterday as its name was linked to possible moves on Slough Estates or MEPC. But property specialists refused to be stirred, one describing the proposition as "completely implausible".

The company has a market capitalisation of £11.6m, compared with £792.3m for Slough Estates and £1.54bn for MEPC. One analyst said the only ace in *Clayform's* hand was its exposure to retailing through Stead and Simpson, but that could not be expected to sway shareholders.

Slough Estates moved up 3 to 209p amid the speculation but that was broadly in line with a firm property sector. British Land rose 4 to 313p. Hammerson put on 3 at 369p and the "A" stock 9 at 338p.

Derwent Valley announced a £10.3m property portfolio acquisition on the back of a £16.9m placing of shares on open offer. Its price held at 493p.

## Victaulic shock

Shares in Victaulic, the industrial products group, tumbled 62 to 253p after it warned that first-half profits would be 20 per cent lower than a year earlier.

The company, due to address analysts next week, cited delays in the publication of the Monopolies and Mergers Commission report on the future structure of British Gas, a major customer, and lower than expected demand from the water industry.

Williams Holdings added 7 at 309p after Strauss Turnbull advised investors to switch out of TI Group, 7 lower at 338p.

The leading pharmaceutical issues made a bold attempt to move ahead during the early part of the day, helped by the strong performance of Wall Street overnight, but quickly ran into pockets of resistance as the London market got under way.

The two Zeneca stocks, strong performers in London late on Wednesday when the Fleming buy note imnpacted on the market, initially edged higher before slipping to close marginally easier on the day. The "old" lost 2 at 621p and the "new" nil-paid 1½ at 21p. Turnover in the "old" was 3.8m shares and in the "new" 8m.

The constant takeover speculation in Fisons, which has picked up since the official launch of the company's anti-ashtma drug Tilade earlier this week, drove the stock up to 177p before closing at 175p, up 3 on balance.

SmithKline Beecham put on 5 at 451p and Glaxo managed to stay in positive territory, rising marginally to 595p.

Another series of excellent results from the utilities ensured renewed strong interest in the sub-sectors. Water stocks were again heavily traded, with the second-liners initially taking up the running after being left behind by the FT-SE 100 contituents. Of the smaller stocks Northumbrian was the best performer, closing 4 harder at 581p. Southern eased 4 to 505p despite the 9.2 per cent increase in the dividend total, at the top end of expectations.

Towards the close, however, the sector slipped off. Severn Trent settled 13 lower at 483p; the preliminary figures, including the 9.3 per cent rise in the dividend, were at the top end of expectations.

North West Water lost 7 to 467p, Anglian 8 to 476p and Thames 10 to 466p.

The electricity sector's "dividend race hotted up as South Wales topped East Midland's 14 per cent payout with a 14.9 per cent increase. But profit-taking in the electricity sector kept the lid on the shares which settled 2 easier at 546p.

An early rally ahead of a September dividend was said to be behind the changing fortune of Dalgety which moved up 6 to 462p. Bensons Crisps notched up 8 to 76 in anticipation of favourable comment and Booker made a 13 gain to 381p on the appointment of a new chief executive.

Investor faith continued for Guinness after a presentation in London by LVMH, the French luxury goods manufacturer with whom Guinness has a 24 per cent cross-share. It moved up 6 to close at 495p in a volume of 3.2m. Bass firmed 2 to 484p and Allied Lyons slipped 5 to 532p.

Good two-way trade was seen in a high volume trading of Burton Group shares. The price edged up ¾p to 86¾p with 15m shares traded.

Further consolidation of confidence following its better-than-expected interim results moved up the share price of Granada Group 5 to 420p.

Feeling in the market strengthened that Forte may be close to making an acquisitive move for the Savoy Group. Savoy "A" moved up 30p to 835p while Forte's share price slipped a penny to 219p.

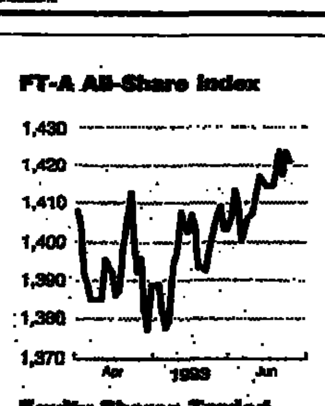
The government's moves to amend the new Petroleum Revenue Tax (PRT) regime was seen as good news for the smaller exploration companies by the leading broking houses. Mr Simon Flowers, exploration and production analyst at NatWest Securities, said the news was "particularly bullish for companies planning to spend up to £10m on exploration over the next two years and which stand to pay PRT in the near term."

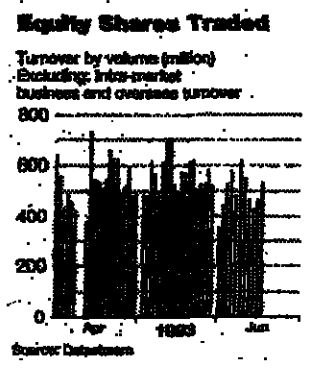
NatWest said virtually all smaller explorers will see their their net asset values boosted. NatWest said the clearest winners are Aran, Hardy and Goal. The broker said Lasmo and Enterprise would gain from the changes but that their exploration budgets would be too large for the changes to be material. Other brokers took the view that the changes were moderately positive.

Hardy Oil jumped 6 to 168p, additionally helped by the results. Aran held at 33p and Goal edged up a penny to 64p.

**MARKET REPORTERS:**
Steve Thompson,
Joel Kibazo,
Christine Buckley.

■ Other statistics, Page 21




## NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (127).
BRITISH FUNDS (1) Treas. 7¾pc '06, OTHER FIXED INTEREST (4) Irish Cap. 9pc '96, Do 13pc '97-02, Do 8¾pc '10, N'wide Anglia 3⅝pc '21, AMERICANS (2) Amer. Express, Gen. Electric, BANKS (2) Lloyds, Standard Chartd., BREWERS (3) Highland, Mansfield, Morland, BLDG MATLS (2) Epwin, Marshalls, BUSINESS SERVS (1) Rolfe & Nolan, CHEMS (3) Croda, [illegible]

[illegible] CONGLOMERATES (1) Mosaic, CONTG & CONSTRCN (1) McLaughlin & Harvey, ENG GEN (1) Victaulic, FOOD MANUF (3) Assoc. Fisheries, Finlay, Sims, FOOD RETAILING (1) Kwik Save, HEALTH & HSEHOLD (1) Jeyes, HOTELS & LEIS (1) Eurocamp, INV TRUSTS (3) Broadgate, I & S Optimum Inc., St David's, MEDIA (2) Greenwich Comms., Radio Clyde, OTHER FINCL (1) Cambridge, OTHER INDLS (1) Optometrics, STORES (1) Hampden, TRANSPORT (1) BAA.

## FINANCIAL TIMES EQUITY INDICES

| | June 17 | June 16 | June 15 | June 14 | June 11 | Year ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2248.5 | 2253.2 | 2250.3 | 2262.9 | 2244.0 | 1998.4 | 2298.5 | 2124.7 |
| Ord. div. yield | 4.12 | 4.11 | 4.12 | 4.16 | 4.12 | 4.65 | 4.52 | 4.07 |
| Earning yld % full | 4.88 | 4.87 | 4.87 | 4.93 | 4.83 | 6.82 | 6.38 | 4.83 |
| P/E ratio net | 26.25 | 26.29 | 26.29 | 25.92 | 26.55 | 18.36 | 26.55 | 19.40 |
| P/E ratio nil | 24.45 | 24.48 | 24.48 | 23.95 | 24.51 | 17.03 | 24.51 | 18.14 |
| Gold Mines | 174.5 | 173.9 | 168.8 | 170.3 | 179.8 | 103.2 | 202.7 | 60.0 |

*for 1993. Ordinary share index since compilation: high 2298.5 10/5/93 - low 49.4 26/6/40
Gold Mines Index since compilation: high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2256.6 | 2254.5 | 2251.3 | 2250.4 | 2249.8 | 2249.2 | 2248.8 | 2248.4 | 2248.4 | 2257.0 | 2247.0 |

| Volume | June 17 | June 16 | June 15 | June 14 | June 11 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 29,390 | 28,150 | 27,738 | 28,287 | 25,481 | 22,049 |
| Equity Turnover(£m)† | - | 1389.8 | 1158.3 | 1000.3 | 1173.4 | 1030.7 |
| Equity Bargains† | - | 32,177 | 33,254 | 32,888 | 29,736 | 26,079 |
| Shares traded (mil)† | - | 540.4 | 477.4 | 432.5 | 481.6 | 453.8 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

| Five to Fifteen Years | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| Treas 15½pc '98‡‡ | 134⅝ | ..... | 138⅛ | 133⅞ | 11.51 | 7.44 |
| Exch 12pc 1998 | 118¼ | ..... | 122⅝ | 118⅝ | 10.06 | 7.59 |
| Treas 9½pc 1999‡‡ | 109⅛ | +⅛ | 112½ | 108⅛ | 8.70 | 7.46 |
| Exch 12¼pc 1999 | 121 | ..... | 124⅞ | 120⅛ | 10.12 | 7.67 |
| Treas 10½pc 1999 | 113⅞ | ..... | 117⅞ | 112⅞ | 9.22 | 7.52 |
| Conversion 10¼pc 1999 | 113⅞ | +⅛ | 117⅞ | 112⅛ | 9.04 | 7.58 |
| 9pc 2000‡‡ | 107⅛ | +⅛ | 110⅞ | 106 | 8.37 | 7.52 |
| Treas 13pc 2000 | 127⅛ | +⅛ | 131 | 125½ | 10.22 | 7.89 |
| 10pc 2001 | 112⅜ | +⅛ | 115⅞ | 109⅞ | 8.91 | 7.83 |
| 9¾pc 2002 | 111⅛ | +¼ | 114⅞ | 108¼ | 8.74 | 7.95 |
| 8pc 2003‡‡ | 100⅞ | +⅛ | 103⅞ | 97⅛ | 7.93 | 7.86 |

### BRITISH FUNDS - Cont.

[illegible]

| Undated | Price £ | + or - |
|---|---|---|
| Consols 4pc | 47½ | +½ |
| War Loan 3½pc‡‡ | 41½ | +⅜ |
| Conv 3½pc '61 Aft. | 62⅞ | +¼ |
| Treas 3pc '66 Aft. | 35⅛ | +¼ |
| Consols 2½pc | 31⅛ | +⅛ |
| Treas. 2½pc | 29⅝ | +½ |

### BRITISH FUNDS - Cont.

[illegible]

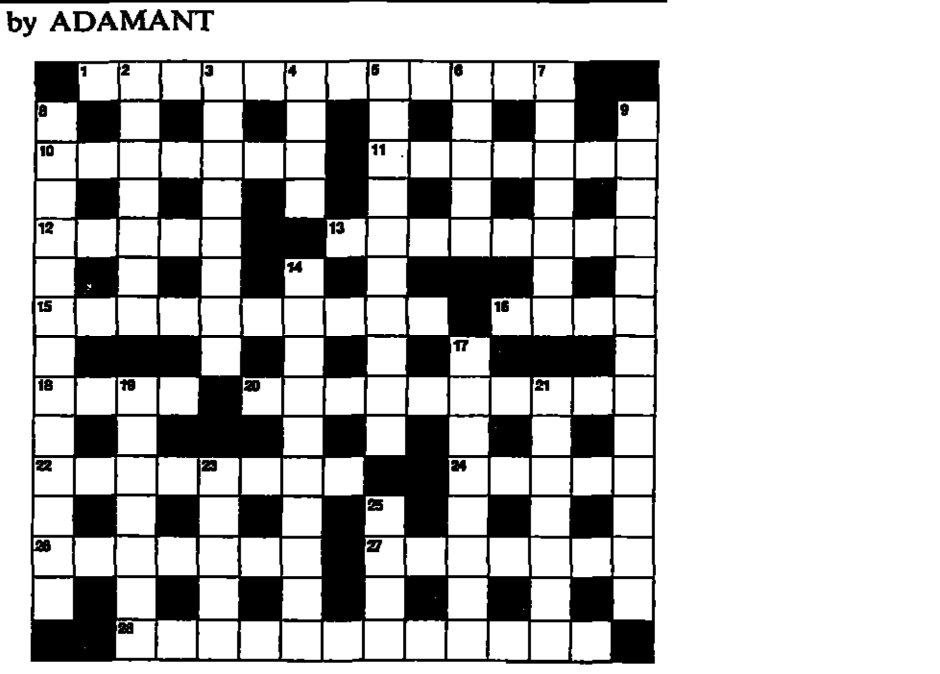
### OTHER FIXED INTEREST

[illegible]

Continued on next page

## CROSSWORD

No.8,179 Set by ADAMANT

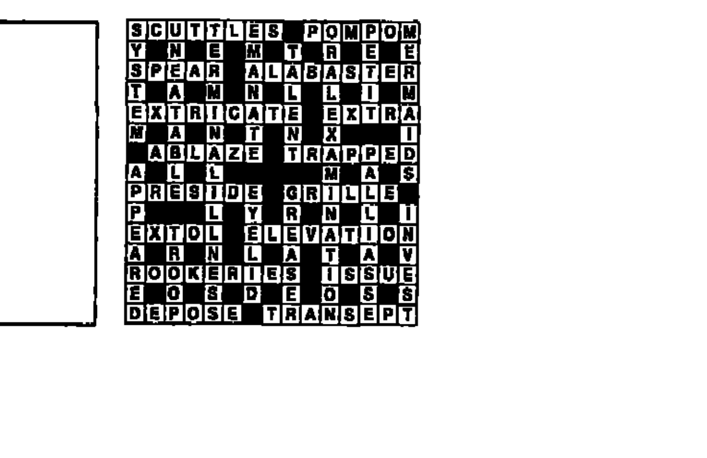


**ACROSS**
1 Flower businesses cannot show first class return (12)
10 Partners close up are out of focus (7)
11 Young Timothy took time for sweet little birds (7)
12 Organ grinder's monkey (5)
13 Sailors in the drink (8)
15 Throw up protest about main trap (7,3)
16 New production of *Cats* might use nonsensical words (4)
18 Pinches drinks (4)
20 Newton, who in France would enjoy being outside, might let go (10)
22 Kindling one's enthusiasm to make love on the day (8)
24 Those not drinking outside left the pub at the first sign (5)
26 Try for the outstanding money due for housing and clothing (7)
27 Exciting drink from the pub using the litre (7)
28 Having made reservations for a subterranean march (5,7)

**DOWN**
2 Dramatic mumbling (7)
3 Draw a line through Central Georgia's representative (8)
4 Commandos at hospital window (4)
5 Cooked bacon? I took it twice for its medicinal value (10)
6 All the players show impatience over it (5)
7 Continental account – it is a complete mess inside (7)
8 Outward signs of conformity to the class system (6,7)
9 Bliss for a lucky number who then have troubles (7,6)
14 The marauder does not merit a transfer fee (10)
17 Chasing a water colour? (8)
19 Additional land for parking place outside the centre of Bury (7)
21 Push off – time's up! (7)
23 Have the power to savage English invader (5)
25 Incitement to curtailing short spell of activity (4)

JOTTER PAD

Solution to Puzzle No.8,178



## EQUITY FUTURES AND OPTIONS TRADING

FADING hopes of a reduction in interest rates dominated the day's trading in Footsie futures, ahead of today's expiry, writes Joel Kibazo.

On its last full day of trading, the June contract on the FT-SE 100 Index opened strongly at 2,890, just above Wednesday's closing level. A rally to 2,897 in the first hour soon ran out of steam as traders concentrated instead on today's expiry and the rolling forward of positions into the September contract, which becomes the market leader on Monday.

The late-morning release of favourable economic data on employment and inflation should have cheered the market but was instead seen as indicating that there would be no reduction in rates – at least in the UK.

June continued to decline and fell further when there was no rate cut announcement from the Bundesbank early in the afternoon.

The continued drift of the contract brought it to the day's low of 2,874 at around 3.30pm, when it traded at a discount to the cash market.

The June contract ended at 2,878, down 11 from its previous close and at a three-point premium to cash. Volume in the June future was 7,876 lots and in the September contract 4,688.

In traded options, total turnover was 29,158, slightly below Wednesday's figure. The FT-SE 100 option traded 6,141 lots and the Euro FT-SE 1,844.

## AMERICANS

| Notes | Price £ | + or - | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs | 18xd | +⅜ | 20⅞ | 15½ | 15,084 | 2.4 |
| Allegheny & W | 602p | -13 | 617p | 399p | 312.8 | 3.1 |
| Amdahl | 383p | -3 | 581p | 302¾p | 407.7 | 0.9 |
| Amer Cyanamid | 34⅜ | -⅛ | 38⅝ | 31¼ | 3,088 | 3.0 |
| Amer Express | 19⅝xd | +⅛ | 19⅞ | 14⅞ | 9,554 | 3.2 |
| Amer T & T | 41¼xd | -⅛ | 41⅞ | 33⅛ | 54,858 | 2.0 |
| Ameritech | 51½ | — | 52⅝ | 46 | 22,548 | 4.5 |
| BankAmerica | 28⅝xd | — | 30⅛ | 27⅛ | 10,283 | 3.0 |
| Bankers NY | 48⅝xd | -⅛ | 61⅞ | 42⅝ | 3,702 | 4.3 |
| Bell Atlantic | 37⅜ | — | 39⅝ | 32¼ | 16,236 | 4.5 |
| BellSouth | 36 | +⅛ | 38⅝ | 32⅞ | 17,784 | 4.9 |
| Bethlehem Steel | 11⅝xd | +⅛ | 13⅛ | 10 | 1,080 | - |
| Bowater | 1312pxd | +6 | 1682p | 1293p | 475.4 | 1.9 |
| CPC | 27⅜xd | +⅛ | 34⅝ | 26 | 4,148 | 2.9 |
| Cadiz Land Inc | 183p | — | 183p | 58p | - | - |
| California Engy | 1358p | — | 1478p | 1088p | 247.2 | - |
| Chase Manhattan | 20xd | +⅛ | 24⅛ | 17⅞ | 3,723 | 3.8 |
| Chrysler | 30¼xd | +⅛ | 30⅞ | 21¼ | 9,804 | 1.2 |
| Citicorp | 18¼xd | — | 20⅞ | 13⅞ | 6,626 | - |
| Colgate-Palm | 37¼xd | +⅛ | 46⅞ | 35⅛ | 5,827 | 2.1 |
| Cont'l Bank | 1510p | -20 | 1677p | 1278p | 1,626 | 2.5 |
| Dana | 34⅝xd | -⅛ | 38⅞ | 29⅞ | 1,589 | 2.9 |
| Data General | 644p | -13 | 951p | 593p | 177.7 | - |
| Decora Inds | 141p | — | 146p | 109p | - | - |
| Dun & Brad | 38¼ | -⅛ | 42⅛ | 37⅛ | 6,817 | 4.1 |
| Eaton | 68 | -⅛ | 69½ | 50⅝ | 2,045 | 2.3 |
| Echlin | 17½xd | +⅛ | 18⅝ | 15⅞ | 1,003 | 2.5 |
| FPL | 25xd | +⅛ | 27⅛ | 23⅞ | 4,541 | 6.2 |
| Ford Motor | 33⅛xd | -½ | 38⅞ | 28⅞ | 16,168 | 1.9 |
| Gen Elect | 63⅞xd | +1⅛ | 65⅛ | 53⅞ | 54,178 | 2.5 |
| General Host | 578p | +4 | 723p | 565p | - | 3.9 |
| Gillette | 31⅞xd | +⅛ | 42⅞ | 31⅛ | 7,004 | 1.7 |
| Hasbro | 20⅞ | — | 20⅞ | 20⅞ | 1,818 | 0.7 |
| Honeywell | 24⅞xd | +⅛ | 24⅞ | 20⅞ | 3,367 | 2.3 |
| Houston Inds | 30⅞ | -⅛ | 33⅞ | 28⅛ | 3,739 | 6.5 |
| Ingersoll-Rand | 22⅞xd | +⅛ | 25 | 19⅛ | 2,386 | 1.9 |
| Lockheed | 41 | -⅛ | 42⅛ | 35⅛ | 2,515 | 3.3 |
| Lowe's | 2488p | -28 | 2487p | 1573p | 1,794 | 0.7 |
| Merrill Lynch | 48⅛xd | — | 50⅞ | 37 | 4,945 | 1.6 |
| Morgan (JP) | 44⅞xd | +⅛ | 48½ | 38⅛ | 8,458 | 3.4 |
| Morris (Philip) | 32⅞xd | +⅛ | 52⅝ | 28⅞ | 28,952 | 5.1 |

[illegible]

## CANADIANS

[illegible]

## BANKS

[illegible]

## BREWERS & DISTILLERS

[illegible]

## BUILDING MATERIALS

[illegible]

## BUILDING MATERIALS - Cont.

[illegible]

## BUSINESS SERVICES

[illegible]

## CHEMICALS

[illegible]

## CONGLOMERATES

[illegible]

## CONTRACTING & CONSTRUCTION

[illegible]

## CONTRACTING & CONSTRUCTION - Cont.

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONICS

[illegible]

## ENGINEERING-AEROSPACE

[illegible]

## ENGINEERING-GENERAL

[illegible]

## ENGINEERING-GENERAL - Cont.

[illegible]

## FOOD MANUFACTURING

[illegible]

## FOOD RETAILING

[illegible]

## HEALTH & HOUSEHOLD

[illegible]

## HOTELS & LEISURE

[illegible]

## HOTELS & LEISURE - Cont.

[illegible]

## INSURANCE BROKERS

[illegible]

## INSURANCE COMPOSITE

[illegible]

## INSURANCE LIFE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## INVESTMENT TRUSTS - Cont.

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## STORES

## PLANTATIONS

## MINES

## MINES - Cont.

| | Notes | Price | + or - | high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Glencar Expl IE | | 12 | ..... | 12 | 6 | 2.22 | – |
| Greenwich Res | | 16 | ..... | 22¼ | 5 | 12.3 | – |
| Hemlo Gold C$ | | 88¼ | +⅛ | £8⅝ | £3½ | 604.8 | 1.5 |
| Ivernia West IE | | 49 | ..... | 67 | 31 | 24.1 | – |
| Kola Mining IE | | 12 | ..... | 13 | 6 | 0.29 | – |
| Konmare | | 8½ | ..... | 13½ | 6 | 9.51 | – |
| McKoga Res. | | 17 | ..... | 25½ | 13½ | 1.88 | – |
| Nevsa Res IE | | 77 | +2 | 77 | 25 | 15.1 | – |
| 5pc Ln Notes | | 77 | +2 | 77 | 25 | 13.9 | – |
| Oryx Gold | | 74 | ..... | 74 | 47 | – | – |
| ††Omaza Res IE | | 3½ | ..... | 3½ | 3½ | 0.24 | – |
| RTZ | | 657xd | +4½ | 709 | 607 | 6,786 | 4.0 |
| Vizcaya | | 5¼ | ..... | 5¼ | 2¼ | 3.08 | – |

## MEDIA

## INVESTMENT COMPANIES

## MOTORS

## OIL & GAS

## PACKAGING, PAPER & PRINTING

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application

latest annual earnings | L Estimated annualised | xd ex dividend,
u Forecast, or estimated | yield, p/e based on | xc ex scrip issue,
annualised dividend | latest annual earnings. | xr ex rights;
yield, p/e based on | M Yield based on | xa ex all,
previous year's earnings | prospectus or other | xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £125 a year for each security shown, subject to the Editor's discretion

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

# AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

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## Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| S & W American | 5 | 283.4 | 283.9 | 279.3 | +6.4 | 0.78 |
| S & W Capital | 5 | 119.0 | 119.0 | 127.6 | +0.4 | 1.67 |
| S & W Cash | 0 | 101.07 | 101.07 | 101.07 | +0.01 | 5.28 |
| S & W European | 5 | 112.6 | 111.74 | 118.2 | | 1.06 |
| S & W Far Eastern | 5 | 149.8 | 151.4 | 160.5 | -0.5 | 0.00 |
| S & W Growth | 5 | 125.8 | 127.7 | 135.1 | +0.3 | 1.28 |
| S & W Income | 5 | 113.8 | 114.8 | 121.2 | +0.4 | 4.54 |
| S & W Magnum | 5 | 123.5 | 123.5 | 132.8 | -1.7 | 1.64 |
| S & W Smllr Secs | 5 | 319.4 | 326.2 | 345.2 | +1.2 | 0.50 |
| S & W Thoroughbred | 5 | 145.1 | 145.1 | 155.9 | +0.7 | 1.49 |

## Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Cash | 1 | 49.70 | 49.70 | 50.26 | | 5.3 |
| Credit Prilance | 5½ | 56.16 | 56.47 | 60.23 | +0.10 | 7.9 |
| Ethical | 5½ | 52.51 | 53.49 | 56.90 | -0.03 | 3.8 |
| European Growth | 5½ | 57.94 | 58.53 | 62.21 | +0.73 | 3.0 |
| Income | 5½ | 62.17 | 62.63 | 58.13 | +0.03 | 5.7 |
| Intl Growth | 5½ | 80.16 | 80.73 | 86.11 | +0.77 | 3.0 |
| Managed | 5½ | 70.47 | 71.19 | 75.83 | +0.32 | 3.6 |
| UK Growth | 5½ | 56.33 | 56.93 | 60.72 | -0.04 | 4.4 |

## Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Managed Acc | 5¼ | 44.11 | 44.11 | 46.87 | +0.2 | 1.08 |
| UK Equity Gth Acc | 5¼ | 58.78 | 59.07 | 63.82 | +0.2 | 1.61 |
| UK Eq High Inc Inc | 5¼ | 35.04 | 35.04 | 37.23 | +0.2 | 3.98 |
| UK Eq High Inc Acc | 5¼ | 41.61 | 41.61 | 44.22 | +0.2 | 3.98 |
| UK Equity Gen Acc | 5¼ | 54.00 | 55.01 | 58.45 | +0.2 | 2.28 |
| UK Equity Gen Inc | 5¼ | 40.88 | 41.65 | 44.26 | +0.1 | 2.28 |
| UK Larger Cos Acc | F 7½ | 369.5 | 374.5 | 406.4 | +2.0 | 3.78 |
| UK Larger Cos Inc | F 7½ | 283.8 | 287.6 | 312.1 | +1.5 | 3.78 |
| Gilt & Fxd Int Inc | 5¼ | 30.07 | 30.15 | 31.89 | +0.1 | 6.64 |
| O'seas Lrg Cos Acc | F 7½ | 274.4 | 279.0 | 302.8 | +0.9 | 1.48 |
| Nth American Acc | 5¼ | 42.43 | 42.71 | 45.38 | +0.5 | 0.78 |
| Far East Acc | 5¼ | 58.07 | 58.07 | 58.58 | +0.1 | 0.21 |
| European Acc | 5¼ | 40.98 | 40.98 | 43.52 | +0.2 | 1.29 |

## State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AD 071-626 1599

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Global A | 5¼ | [illegible] | 3.617 | 3.842 | — | 1.20 |
| US Equities (u) | 5¼ | $2.056 | 2.056 | 2.186 | — | 0.80 |
| Far East Equities (u) | 5¼ | Y235.4 | 238.7 | 251.4 | — | — |
| Japan Equities (u) | 5¼ | Y238.2 | 241.2 | 256.2 | — | — |
| FT Europe (u) | 5¼ | 111.5 | 111.5 | 118.3 | — | 2.19 |
| FT North American (u) | 5¼ | $1.709 | 1.709 | 1.812 | — | 1.09 |
| FT Japan (u) | 5¼ | Y237.6 | 238.3 | 253.1 | — | — |
| FT Asia Ex Japan (u) | 5¼ | $1.803 | 1.920 | 2.038 | — | 1.69 |

## Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

## Foreign & Colonial Unit Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Balanced Acc Jun 15 | 185.4 | 192.8 | +1.6 | 3.54 |
| Balanced Inc Jun 15 | 184.0 | 191.1 | +0.8 | 3.54 |
| Latin American Acc Jun 15 | 102.0 | 103.2 | +1.1 | 3.54 |

## Funds in Court*

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Capital May 14 | 556.18 | 562.37 | — | 3.07 |
| Gross May 14 | 212.85 | 214.67 | — | 9.79 |
| High Yield May 14 | 338.40 | 341.13 | — | 7.62 |

* Restricted to investors under Court control

## Govett (John) Unit Mngmt Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Exempt | 109.28 | 109.28 | -0.02 | 0.00 |

## Henderson Unit Trust Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Pensions Mngd | 61.91 | 63.19 | -0.12 | 2.90 |
| Henderson TR | | | | |
| Ex European | 1318.84 | 1325.89 | | 2.82 |
| Ex Nth American | 1385.41 | 1405.18 | | 1.54 |
| Ex Pacific Basin | 958.85 | 978.63 | | 1.4 |
| Ex Smaller Cos Inc | 1831.68 | 2041.04 | | 4.27 |
| Ex Smaller Cos Acc | 2089.8 | 2108.94 | | 4.27 |

## INVESCO MIM Management Ltd
Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Asia & Australasia | £3.1140 | 3.1840 | — | — |
| Far Eastern | £2.1820 | 2.2109 | — | — |
| Intl Mngd PFolio | £1.5150 | 1.5130 | — | — |
| Mngd Pens (Acc) | £0.8577 | 0.8295 | — | — |
| North American | £2.5800 | 2.5240 | — | — |
| Smaller Companies | £1.4330 | 1.4850 | — | — |
| UK Core | £1.0170 | 1.0330 | — | — |

## Lazard Brothers & Co. Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Property Mar 4 | £1900.00 | 2100.0 | — | 7.00 |
| Inc Gth Prp Feb 3 | £1200.0 | 1400.0 | — | 8.80 |

## Lazard Investors Ltd ‡
Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Small Co's Jun 16 | £5793.4 | 5388.6 | — | 2.82 |
| European Jun 16 | £700.6 | 708.9 | — | 1.88 |
| American Jun 16 | £422.6 | 426.6 | — | 1.40 |
| Japan Jun 16 | £589.5 | 595.1 | — | 0.51 |
| Pacific Jun 16 | £198.4 | 200.4 | — | 0.87 |
| Midland Gth May 28 | £139.80 | 142.80 | — | 3.7 |

## Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Property May 31 | 172.65 | 180.80 | — | 6.82 |
| Equity May 31 | 1003.85 | 1017.90 | — | 3.43 |

# OTHER UK UNIT TRUSTS

# INSURANCES

# FT MANAGED FUNDS SERVICE

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### Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Gold Range (Pensions) | | | | |
| Discretionary Fund | | 157.7 | +0.5 | - |

### Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Ord | 417.5 | 439.5 | -0.3 | - |
| Managed Init | 295.3 | 310.8 | -0.3 | - |
| Equity Ord. | 626.9 | 659.9 | +0.1 | - |
| Equity Init | 443.4 | 466.7 | - | - |
| Index Linked Gilt Ord. | 194.1 | 204.3 | +0.1 | - |
| Index Linked Gilt Init | 143.4 | 150.9 | +0.1 | - |
| Overseas Equity Ord | 333.5 | 351.1 | -1.9 | - |
| Overseas Equity Init | 235.9 | 248.3 | -1 | - |
| Property Ord | 227.4 | 239.4 | +0.1 | - |
| Property Init | 160.8 | 169.3 | - | - |
| Fixed Interest Ord | 260.1 | 273.8 | +0.3 | - |
| Fixed Interest Init | 184.0 | 193.7 | +0.2 | - |
| Deposit Ord | 196.6 | 206.9 | - | - |
| Deposit Init | 139.1 | 146.4 | - | - |
| Pension Funds | | | | |
| Managed Ord | 661.2 | 680.2 | -0.4 | - |
| Managed Init | 389.8 | 410.3 | -0.4 | - |
| Equity Ord. | 855.9 | 900.9 | +0.1 | - |
| Equity Init | 605.9 | 637.2 | - | - |
| Pen Ind Lkd Gilt Ord | 221.0 | 232.6 | +0.1 | - |
| Pen Ind Lkd Gilt Init | 169.2 | 177.8 | - | - |
| Overseas Equity Ord. | 387.4 | 407.8 | -1.7 | - |
| Overseas Equity Init | 274.0 | 288.4 | -1.2 | - |
| Property Ord | 290.4 | 305.7 | +0.1 | - |

### Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Funds (First Series) | | | | |
| Managed | 406.0 | 427.4 | -1.00 | - |
| Equity | 509.1 | 535.9 | -1.80 | - |
| Property | 239.4 | 252.0 | - | - |
| International | 398.3 | 419.3 | -1.80 | - |
| Japanese | 114.5 | 120.7 | -0.80 | - |
| Asia Pacific | 140.8 | 148.1 | -1.10 | - |
| European | 107.8 | 113.3 | -0.50 | - |
| American | 141.4 | 148.9 | +0.40 | - |
| Fixed Interest | 338.3 | 356.2 | +2.30 | - |
| Index-Linked Gilt | 185.7 | 195.5 | - | - |
| Cash | 220.1 | [illegible] | [illegible] | - |
| Life Funds (Second Series) | | | | |
| Managed | 113.0 | [illegible] | [illegible] | - |
| Equity | 109.5 | [illegible] | [illegible] | - |
| Property | 100.6 | [illegible] | [illegible] | - |
| International | 123.1 | [illegible] | [illegible] | - |
| Japanese | 114.9 | [illegible] | [illegible] | - |
| Asia Pacific | 137.9 | [illegible] | [illegible] | - |
| European | 105.7 | [illegible] | [illegible] | - |
| American | 138.2 | [illegible] | [illegible] | - |
| Fixed Interest | 127.3 | [illegible] | [illegible] | - |
| Index-Linked Gilt | 116.7 | [illegible] | [illegible] | - |
| Cash | 109.2 | [illegible] | [illegible] | - |
| Pension Funds | | | | |
| Building Society | 173.4 | [illegible] | [illegible] | - |
| Managed (Init) | 235.8 | [illegible] | [illegible] | - |
| Managed (Acc) | 486.7 | [illegible] | [illegible] | - |
| Equity (Init) | 265.8 | [illegible] | [illegible] | - |
| Equity (Acc) | 529.7 | [illegible] | [illegible] | - |

### Sun Alliance Group - Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| From America Smllr Cos. | 165.0 | 173.7 | +4.1 | - |
| From America Turnaround | 160.4 | 168.9 | +4.0 | - |
| From Capital Tst | 151.5 | 159.5 | +0.2 | - |
| From Intl Growth | 163.0 | 171.6 | -0.1 | - |
| From Japan & General | 231.7 | 243.9 | -2.1 | - |
| From Recovery Tst | 220.1 | 231.7 | +5.7 | - |
| GT Special Mngd | 151.6 | 159.6 | -0.3 | - |
| GT Amer Spec Sits | 173.8 | 183.0 | +4.1 | - |
| GT Capital | 184.9 | 194.7 | - | - |
| GT European | 132.1 | 139.1 | +2.8 | - |
| GT Far East & Gen | 170.4 | 179.4 | +2.9 | - |
| GT International | 144.9 | 152.6 | -0.4 | - |

## OFFSHORE INSURANCES

### AXA Equity & Law Intl Life Assce Co
Victory Hse, Prospect Hill, Douglas, IoM

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| European Equity | 98.8 | 104.0 | [illegible] | [illegible] |
| Far Eastern Equity | $1.692 | 1.711 | [illegible] | [illegible] |
| North American Equity | $1.075 | 1.155 | [illegible] | [illegible] |
| UK Equity | 118.3 | 125.0 | [illegible] | [illegible] |
| UK Gilt & Fixed Int | 96.6 | 102.6 | [illegible] | [illegible] |
| Dollar Deposit | $0.676 | 0.720 | [illegible] | [illegible] |
| Sterling Deposit | 62.6 | 66.5 | [illegible] | [illegible] |
| Managed Currency | 83.8 | 90.1 | [illegible] | [illegible] |
| International Managed | 108.6 | 116.7 | [illegible] | [illegible] |

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## IRELAND (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

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## Prudential Fund Managers (Jersey) Ltd

## Royal Trust Jsy Fd Mngt Ltd (1400)F

## Standard Bank Fund Mgmt (Jersey) Ltd

## TSB Trust Funds (CI)

## JERSEY (REGULATED)(**)

## Barclays Intl Funds

## Bank Von Ernst & Cie AG - Contd.

## Banque Scandinave a Luxembourg SA

## Barclays Diversified Portfolio

## Barclays Inv Funds (Luxembourg)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

## FOREIGN EXCHANGES

# German rates unchanged

DEALERS continued to speculate that the dollar could break through important new levels against the D-Mark yesterday, despite a host of data and events that ought to have softened the US currency a great deal, *writes James Blitz*.

The Bundesbank surprised some market participants by keeping its official interest rates on hold yesterday. But that did not stop the dollar rising ½ a pfennig in the wake of the news, to peak at DM1.6650 against the German currency.

Later, in early US trading, the dollar lost much ground against the D-Mark after the release of poorer-than-expected US economic data.

The US trade deficit grew to $10.49bn in April, its biggest total for over 4 years. The Philadelphia Federal Reserve's index of business activity also showed signs of stagnation in the economy, with the index falling to minus 6.5 per cent in June to plus 11.3 per cent in May.

Nevertheless, the dollar was not swayed too far off course by this data, closing only a quarter pfennig down on the day at DM1.6555. "The dollar is still on track for a convincing break through the DM1.67 level," said Mr Neil MacKinnon, chief currency strategist at Citibank in London. "The market is taking a positive view towards the dollar, as is the fund manager community." He believes that if the dollar/D-Mark rate closes at or above DM1.67, that will be followed by a strong push up to DM1.80.

The dissenters from this view remain strong. Mr Marc Hendricks, an economist at Swiss Banking Corporation in London, said that the dollar would remain under pressure from weak economic data in the US. But he acknowledged, too, that the German currency was facing significant weakness: "If the dollar is to break through to new ranges then it will have to happen now," he said.

Trading in European currencies was dominated by the growing weakness of the D-Mark which fell to minus 25 against its divergence indicator in the European exchange rate mechanism. This is the lowest level that it has been at in the recent cycle of weakness.

The D-Mark was softer against the French franc for much of the day, but closed unchanged at FFr3.361. The Italian lira closed a little stronger, at L908.4 from a previous L908.6.

Sterling was the strongest performer against the German currency yesterday, helped by indications that the UK economy was recovering. The pound rose 1¼ pfennigs immediately following the release of figures which showed the fourth successive monthly drop in unemployment and that inflation stayed at a 29-year low. It later closed at DM2.5100, 1½ pfennigs up on the day.

The yen softened against the dollar yesterday amidst speculation that Japan could be thrown into a new political crisis. The yen closed at Y106.65 from a previous Y106.60.

## EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Jun 17 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 192.854 | 186.594 | -3.25 | 4.10 | 54 |
| Spanish Peseta | 154.250 | 149.755 | -2.91 | 3.74 | 51 |
| Irish Punt | 0.808628 | 0.802014 | -0.82 | 1.55 | 40 |
| Dutch Guilder | 2.19672 | 2.19668 | 0.00 | 0.72 | 4 |
| Belgian Franc | 40.2123 | 40.2646 | 0.13 | 0.58 | -2 |
| D-Mark | 1.94964 | 1.95890 | 0.47 | 0.24 | -26 |
| French Franc | 6.53883 | 6.58360 | 0.68 | 0.03 | -34 |
| Danish Krone | 7.43679 | 7.49011 | 0.72 | 0.00 | -29 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

## £ IN NEW YORK

## POUND SPOT - FORWARD AGAINST THE POUND

| Jun 17 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4965 - 1.5180 | 1.5150 - 1.5160 | 0.35-0.33cpm | 2.69 | 0.99-0.96pm | 2.57 |
| Canada | 1.9180 - 1.9375 | 1.9345 - 1.9355 | 0.26-0.15cpm | 1.27 | 0.51-0.34pm | 0.88 |
| Netherlands | 2.7825 - 2.8225 | 2.8075 - 2.8175 | ⅛-⅜cdis | -1.07 | ½-¾dis | -0.89 |
| Belgium | 51.00 - 51.70 | 51.55 - 51.65 | 2-7cdis | -1.05 | 10-17dis | -1.05 |
| Denmark | 9.5050 - 9.6000 | 9.5875 - 9.5975 | 1½-2½oredis | -2.50 | 3¾-5⅛dis | -1.85 |
| Ireland | 1.0165 - 1.0290 | 1.0270 - 1.0280 | 0.09-0.11cdis | -1.17 | 0.24-0.28dis | -1.03 |
| Germany | 2.4825 - 2.5150 | 2.5075 - 2.5125 | ⅜-½pfdis | -2.09 | 1-1⅛dis | -1.69 |
| Portugal | 236.75 - 240.00 | 238.75 - 239.75 | 137-148cdis | -7.15 | 411-439dis | -7.11 |
| Spain | 190.00 - 192.10 | 191.70 - 192.00 | 87-101cdis | -5.88 | 238-258dis | -5.17 |

## STERLING INDEX

## CURRENCY RATES

## CURRENCY MOVEMENTS

## OTHER CURRENCIES

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

## EURO-CURRENCY INTEREST RATES

| Jun 17 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5⅞ - 5¾ | 5 13/16 - 5 11/16 | 5 13/16 - 5 11/16 | 6 - 5⅞ |
| US Dollar | 3¼ - 2 15/16 | 3⅛ - 3 | 3 3/16 - 3 1/16 | 3 5/16 - 3 3/16 | 3 7/16 - 3 5/16 | 3¾ - 3⅝ |
| Can. Dollar | 4½ - 4⅜ | 4⅝ - 4⅜ | 4⅝ - 4½ | 4 13/16 - 4 11/16 | 5 1/16 - 4 15/16 | 5 13/16 - 5 11/16 |
| Dutch Guilder | 7⅛ - 7 | 7 1/16 - 6 15/16 | 6 15/16 - 6 13/16 | 6 13/16 - 6 11/16 | 6 9/16 - 6 7/16 | 6 5/16 - 6 3/16 |
| Swiss Franc | 5⅜ - 5⅛ | 5⅜ - 5⅛ | 5 5/16 - 5 3/16 | 5⅛ - 5 | 4⅞ - 4¾ | 4¾ - 4⅝ |
| D-Mark | 7 13/16 - 7 11/16 | 7 13/16 - 7 11/16 | 7¾ - 7⅝ | 7 7/16 - 7 5/16 | 7 3/16 - 7 1/16 | 6⅞ - 6¾ |
| French Franc | 7 15/16 - 7 13/16 | 7 15/16 - 7 13/16 | 7 9/16 - 7 7/16 | 7 5/16 - 7 3/16 | 6 15/16 - 6 13/16 | 6 9/16 - 6 7/16 |
| Italian Lira | 12 - 10 | 10⅛ - 9¾ | 10 - 9⅝ | 10 - 9⅝ | 10 - 9⅝ | 10 - 9⅝ |
| Belgian Franc | 7⅛ - 7 | 7⅛ - 7 | 7 1/16 - 6 15/16 | 7 1/16 - 6 15/16 | 6 13/16 - 6 11/16 | 6 9/16 - 6 7/16 |
| Yen | 3¼ - 3⅛ | 3¼ - 3⅛ | 3¼ - 3⅛ | 3¼ - 3⅛ | 3¼ - 3⅛ | 3⅜ - 3¼ |
| Danish Krone | 9 - 8½ | 8¾ - 8¼ | 8½ - 8 | 7⅞ - 7½ | 7½ - 7¼ | 7¼ - 7 |
| Asian $Sing | 3¼ - 2¼ | 3¼ - 2¼ | 3½ - 2½ | 3½ - 2½ | 3½ - 2½ | 3¾ - 2¾ |
| Spanish Peseta | 12½ - 12 | 12¾ - 12⅛ | 11 13/16 - 11⅝ | 11 3/16 - 10 15/16 | 10¾ - 10⅝ | 10⅞ - 10¾ |
| Portuguese Esc. | 13⅜ - 12⅞ | 13 - 12¾ | 13¼ - 12¾ | 13⅛ - 12¾ | 13 - 12⅝ | 12¾ - 12¼ |

Long term Eurodollars: two years 4⅜-4¼ per cent; three years 4 13/16-4 11/16 per cent; four years 5 5/16-5 3/16 per cent; five years 5½-5⅜ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

## EXCHANGE CROSS RATES

| June 17 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.515 | 2.510 | 161.5 | 8.435 | 2.240 | 2.812 | 2280 | 1.935 | 51.60 | 191.8 | 1.281 |
| $ | 0.660 | 1 | 1.657 | 106.6 | 5.568 | 1.479 | 1.856 | 1505 | 1.277 | 34.06 | 126.6 | 0.846 |
| DM | 0.398 | 0.604 | 1 | 64.34 | 3.361 | 0.892 | 1.120 | 908.4 | 0.771 | 20.56 | 76.41 | 0.510 |
| YEN | 6.192 | 9.381 | 15.54 | 1000. | 52.23 | 13.87 | 17.41 | 14118 | 11.98 | 319.5 | 1188 | 7.932 |
| F Fr. | 1.186 | 1.796 | 2.976 | 191.5 | 10. | 2.656 | 3.334 | 2703 | 2.294 | 61.17 | 227.4 | 1.519 |
| S Fr. | 0.446 | 0.676 | 1.121 | 72.10 | 3.766 | 1 | 1.255 | 1018 | 0.864 | 23.04 | 85.63 | 0.572 |
| N Fl. | 0.356 | 0.539 | 0.893 | 57.43 | 3.000 | 0.797 | 1 | 810.8 | 0.688 | 18.35 | 68.21 | 0.456 |
| Lira | 0.439 | 0.664 | 1.101 | 70.83 | 3.700 | 0.982 | 1.233 | 1000. | 0.849 | 22.63 | 84.12 | 0.562 |
| C $ | 0.517 | 0.783 | 1.297 | 83.46 | 4.359 | 1.158 | 1.453 | 1178 | 1 | 26.67 | 99.12 | 0.662 |
| B Fr. | 1.938 | 2.936 | 4.864 | 313.0 | 16.35 | 4.341 | 5.450 | 4419 | 3.750 | 100. | 371.7 | 2.483 |
| Pta | 0.521 | 0.790 | 1.309 | 84.20 | 4.398 | 1.168 | 1.466 | 1189 | 1.009 | 26.90 | 100. | 0.668 |
| Ecu | 0.781 | 1.183 | 1.959 | 126.1 | 6.585 | 1.749 | 2.195 | 1780 | 1.511 | 40.28 | 149.7 | 1. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls July | Calls September | Calls December | Puts July | Puts September | Puts December |
|---|---|---|---|---|---|---|
| 117 | 1.46 | 1.79 | 1.91 | - | 0.37 | 0.99 |
| 118 | - | 1.15 | 1.38 | 0.11 | 0.65 | 1.40 |
| 119 | 0.10 | 0.67 | 0.94 | 0.61 | - | - |
| 120 | - | 0.33 | 0.60 | - | 1.82 | - |
| 121 | - | 0.16 | - | - | - | - |
| Open int | 25,097 | 143,264 | 32,086 | 28,675 | 136,595 | 23,717 |

Estimated volume 34,578 † Total Open Interest 421,619
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.5155 | 1.5121 | 1.5058 | 1.4980 | 1.4850 |

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | Mount Banking | 6 |
| Allied Trust Bank | 6 | Duncan Lawrie | 6 | NatWestminster | 6 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | Nykredit Mortgage Bnk | 6.5 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | ●Rea Brothers | 6 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 7 | Roxburghe Bank Ltd | 8 |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Royal Bk of Scotland | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | Standard Chartered | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | TSB | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | Unibank plc | 6 |
| Bank of Scotland | 6 | Heritable & Gen Inv Bk. | 6 | ●United Bk of Kuwait | 6 |
| Barclays Bank | 6 | ●Hill Samuel | 6 | Unity Trust Bank Plc | 6 |
| Brit Bk of Mid East | 6 | C. Hoare & Co | 6 | Western Trust | 6 |
| ●Brown Shipley | 6 | Hongkong & Shanghai | 6 | Whiteaway Laidlaw | 6 |
| CL Bank Nederland | 6 | Julian Hodge Bank | 6 | Wimbledon & Sth West | 7 |
| Citibank NA | 6 | ●Leopold Joseph & Sons | 6 | Yorkshire Bank | 6 |
| City Merchants Bank | 6 | Lloyds Bank | 6 | | |
| Clydesdale Bank | 6 | Meghraj Bank Ltd | 6 | | |
| The Co-operative Bank | 6 | McDonnell Douglas Bk. | 6 | | |
| Coutts & Co | 6 | Midland Bank | 6 | | |
| Credit Lyonnais | 6 | | | | |

● Members of British Merchant Banking & Securities Houses Association

## Money Market Trust Funds

## Money Market Bank Accounts

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate compounded to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

## MONEY MARKETS

# Day for rate bears

THE OUTLOOK for cuts in short term rates in the UK and Germany dampened yesterday following another set of very good British economic indicators and a decision from the Bundesbank to leave its official rates unchanged, *writes James Blitz*.

For most dealers, the Bundesbank's decision was the focus of the day. But the biggest price action yesterday was in short sterling interest rate futures which fell back very sharply at the front end, reflecting a growing view that base rates will remain unchanged this year.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

The trigger for the set-back in sterling futures was a very surprising set of unemployment figures, showing a net drop of 26,100 on the month when a 7,000 rise had been expected. This was the fourth successive drop in unemployment and another sign that the government was under no pressure to ease monetary policy.

The news led to a sharp drop in the September contract from 94.25 to 94.14. The contract pushed down further to close at 94.11 after the Bundesbank left policy unchanged.

However, rate cut bulls could find some pickings in the late 1994 contracts, which rose yesterday after the retail price index came in as expected at 1.3 per cent in May.

The news on inflation led to a sharp rise in the gilt market and this helped the June 1994 contract rise 4 basis points on the day, to 93.79, as dealers took the view that a sharp upward movement in interest rates might not be needed to prevent the economy overheating.

The cash market was less volatile, with 3 month money rising 1/16 per cent on the day to 5 13/16 per cent. The Bank of England appeared highly accommodative in the removal of a £1bn daily shortage, offering a repo in the early round.

The Bank may have wanted to compensate for the upward slope in rates later in the day. But one dealer dared to wonder yesterday whether a 25 basis point cut in base rates might be in the offing, as sterling closed at DM2.51.

The Bundesbank's decision to leave its official rates unchanged was a source of disappointment, although, in the absence of the M3 money supply figures for May, the reasoning was hard to divine. The September Euromark contract dropped back 2 basis points to close at 93.25.

## FT LONDON INTERBANK FIXING

| (11.00 a.m. June 17) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3 3/16 | offer 3 5/16 | bid 3 7/16 | offer 3 9/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## MONEY RATES

### NEW YORK

| Lunchtime | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 2.81 | Three year | 4.43 |
| Broker loan rate | 5 | Two month | 2.98 | Five year | 5.16 |
| Fed.funds | 3 | Three month | 3.10 | Seven year | 5.54 |
| Fed.funds at intervention | - | Six month | 3.23 | 10-year | 5.92 |
| | | One year | 3.43 | 30-year | 6.81 |
| | | Two year | 4.07 | | |

| June 17 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.55-7.70 | 7.65-7.75 | 7.55-7.65 | 7.50-7.60 | 7.20-7.35 | 8.50 |
| Paris | 7⅝-7 11/16 | 7 5/16-7⅜ | - | 7¼-7⅜ | - | 7.25 |
| Zurich | 5-5¼ | 5 5/16-5⅜ | - | 5-5¼ | - | - |
| Amsterdam | 7.00-7.12 | 6.98-7.03 | - | 6.80-6.88 | - | - |
| Tokyo | 3 1/16-3⅛ | - | - | - | - | - |
| Milan | 10¼-10⅝ | 10 1/16-10 3/16 | - | 10-10⅛ | - | - |
| Brussels | 6 13/16-7⅛ | 6 13/16-7 | - | 6 13/16-7 | - | - |
| Dublin | 6⅞-7 | 6⅞-7 | 6⅞-7 | 6⅞-7 | 6⅞-7 | - |

## LONDON MONEY RATES

| Jun 17 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 5½ | 5¼ | 5 13/16 | 5⅞ | 5 13/16 | 6 |
| Interbank Bid | 2½ | 5¼ | 5⅝ | 5 11/16 | 5¾ | 5¾ |
| Sterling CDs | - | - | 5¾ | 5¾ | 5¾ | [illegible] |
| Local Authority Deps. | 5¼ | 5⅝ | 5¾ | 5 13/16 | 5¾ | 5⅞ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 4⅛ | 5½ | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | 5 13/16 | 5 13/16 | 5 13/16 | [illegible] |
| Treasury Bills (Buy) | - | - | 5 11/16 | 5½ | 5½ | - |
| Bank Bills (Buy) | - | - | 5⅝ | 5⅝ | 5⅝ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.04 | 3.11 | 3.20 | 3.49 |
| SDR Linked Dep. Offer | - | - | 4 13/16 | 4⅝ | 4 11/16 | 4 11/16 |
| SDR Linked Dep. Bid | - | - | 4 9/16 | 4½ | 4 9/16 | 4 9/16 |
| ECU Linked Dep. Offer | - | - | 8 | 7½ | 7¼ | 6⅞ |
| ECU Linked Dep. Bid | - | - | 7⅞ | 7⅜ | 7⅛ | 6¾ |

# WORLD STOCK MARKETS

## CANADA

## INDICES

### NEW YORK DOW JONES

| | June 16 | June 15 | June 14 | June 11 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3511.65 | 3492.00 | 3514.69 | 3505.01 | 3554.83 (27/5) | 3241.95 (20/1) | 3554.83 (27/5/93) | 41.22 (2/7/32) |
| Home Bonds | 107.42 | 107.53 | 107.47 | 107.55 | 107.67 (7/5) | 103.49 (11/1) | 501.97 (27/4/93) | 54.99 (1/10/81) |
| Transport | 1508.32 | 1522.81 | 1521.35 | 1540.46 | 1683.08 (16/4) | 1453.84 (4/1) | 1683.08 (16/4/93) | 12.32 (8/7/32) |
| Utilities | 240.42 | 239.48 | 239.36 | 240.36 | 247.58 (16/4) | 217.14 (8/1) | 247.58 (16/4/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 3527.43 (3531.86) Low 3460.17 (3471.24) (Theoretical♣)
Day's High 3512.48 (3513.31) Low 3476.22 (3492.00) (Actual♣)

### STANDARD AND POOR'S

| | June 16 | June 15 | June 14 | June 11 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 447.43 | 446.27 | 447.71 | 447.26 | 456.33 (10/3) | 429.05 (8/1) | 456.33 (10/3/93) | 4.40 (1/6/32) |
| Industrials♥ | 515.98 | 514.50 | 516.71 | 515.97 | 524.99 (10/3) | 498.48 (26/4) | 524.99 (10/3/93) | 3.62 (21/6/32) |
| Financial | 42.80 | 42.77 | 42.71 | 42.51 | 46.67 (13/4) | 39.89 (8/1) | 46.67 (13/4/93) | 8.64 (1/10/74) |
| NYSE Composite | 246.60 | 245.92 | 246.42 | 246.24 | 251.36 (10/3) | 236.21 (8/1) | 251.36 (10/3/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 435.67 | 435.47 | 435.20 | 434.32 | 440.95 (4/6) | 395.84 (8/1) | 440.95 (4/6/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 696.25 | 697.34 | 696.41 | 693.19 | 708.85 (4/2) | 645.87 (26/4) | 708.85 (4/2/93) | 54.87 (31/10/72) |

| | June 11 | June 4 | May 28 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.93 | 2.89 | 2.90 | 3.03 |
| | June 9 | June 2 | May 26 | year ago (approx.) |
| S & P Industrial div. yield | 2.51 | 2.46 | 2.46 | 2.69 |
| S & P Indl. P/E ratio | 25.42 | 25.90 | 25.88 | 28.44 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| LTV Corp | 9,037,200 | 1/8 | — |
| Wal-Mart | 7,099,300 | 25 7/8 | - 5/8 |
| Hewlett Pack | 3,982,800 | 83 5/8 | - 3 1/8 |
| Am T & T | 3,200,100 | 62 1/8 | - 1 1/8 |
| Pepsico | 3,096,300 | 35 7/8 | — |
| Adv Micro | 3,090,200 | 21 | - 3/4 |
| Rowan | 2,941,000 | 9 5/8 | - 1/4 |
| Ford Motor | 2,868,300 | 49 7/8 | - 1 |
| USAir | 2,658,500 | 17 1/8 | - 1 3/8 |
| Cooper Tire | 2,656,800 | 23 | + 1 1/4 |

### TRADING ACTIVITY

| † Volume (Millions) | Jun 16 | June 15 | June 14 |
|---|---|---|---|
| New York SE | 264.470 | 226.896‡ | 210.407 |
| Amex | 16.655 | 16.468 | 17.574 |
| NASDAQ | 239.896 | 236.782 | 208.432 |
| **NYSE** | | | |
| Issues Traded | 2,551 | 2,546 | 2,544 |
| Rises | 966 | 987 | 951 |
| Falls | 877 | 918 | 952 |
| Unchanged | 708 | 641 | 641 |
| New Highs | 45 | 45 | 46 |
| New Lows | 37 | 41 | 37 |

### CANADA TORONTO

| | June 16 | June 15 | June 14 | June 11 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2919.18 | 2914.14 | 2945.07 | 2935.13 | 2972.25 (9/2) | 2743.31 (21/1) |
| Composite | 3892.48 | 3887.79 | 3872.18 | 3868.50 | 3894.60 (4/6) | 3275.80 (21/1) |
| MONTREAL Portfolio | 1908.21 | 1908.09 | 1900.67 | 1897.65 | 1915.71 (26/5) | 1730.97 (21/1) |

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ‡ Correction.

| | June 17 | June 16 | June 15 | June 14 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1727.2 | 1724.7 | 1724.0 | (c) | 1760.40 (28/5) | 1495.00 (13/1) |
| All Mining (1/1/80) | 754.9 | 747.9 | 737.5 | (c) | 801.90 (28/5) | 584.70 (13/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 333.40 | 337.47 | 340.50 | 343.42 | 357.78 (8/3) | 300.25 (14/1) |
| Traded Index (2/1/91) | 833.14 | 839.51 | 844.37 | 850.19 | 860.17 (3/3) | 712.06 (15/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1238.67 | 1236.47 | 1223.20 | 1224.44 | 1269.11 (7/4) | 1125.46 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 303.58 | 300.98 | 300.46 | 300.30 | 305.06 (14/5) | 261.90 (4/1) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 1132.3 | 1125.9 | 1118.5 | 1110.2 | 1248.20 (21/5) | 843.10 (22/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 542.78 | 519.26 | 520.59 | 524.90 | 547.37 (30/3) | 471.24 (13/1) |
| CAC 40 (31/12/87) | 1900.31 | 1918.81 | 1897.86 | 1918.84 | 2035.91 (30/3) | 1772.21 (29/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 658.82 | 657.84 | 656.95 | 659.69 | 675.70 (10/3) | 598.92 (14/1) |
| Commerzbank (1/12/53) | 1874.8 | 1871.6 | 1867.1 | 1873.3 | 1906.10 (10/3) | 1694.30 (14/1) |
| DAX (30/12/87) | 1692.29 | 1689.56 | 1684.10 | 1691.98 | 1717.40 (11/3) | 1516.50 (13/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 7189.10 | 7304.83 | 7283.45 | (c) | 7447.24 (27/5) | 5437.80 (4/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1572.89 | 1568.40 | 1566.07 | 1571.87 | 1591.74 (16/4) | 1191.19 (11/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 521.96 | 508.01 | 513.37 | 527.44 | 559.17 (20/5) | 446.33 (6/1) |
| MIB General (4/1/93) | 1152.0 | 1120.0 | 1133.0 | 1164.8 | 1236.00 (20/5) | 992.00 (11/1) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 19925.51 | 19902.42 | 20045.88 | 20397.35 | 21076.00 (3/6) | 16287.45 (25/1) |
| Tokyo SE (Topix) (4/1/68) | 1593.58 | 1600.14 | 1619.88 | 1659.46 | 1676.13 (3/6) | 1250.06 (25/1) |
| 2nd Section (4/1/68) | 2222.99 | 2244.27 | 2293.07 | 2347.55 | 2384.97 (7/6) | 1651.72 (26/1) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 720.46 | 738.51 | 739.42 | 743.16 | 746.29 (11/6) | 614.28 (13/1) |
| **NETHERLANDS** | | | | | | |
| CBS TtlRtn Gen.(End 1983) | 340.7 | 341.6 | 340.0 | 339.8 | 341.60 (16/6) | 295.70 (4/1) |
| CBS All Shr (End 1983) | 223.6 | 224.2 | 223.1 | 223.0 | 224.20 (16/6) | 198.60 (13/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 807.00 | 801.01 | 788.28 | 781.34 | 827.94 (6/5) | 669.93 (27/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1576.30 | 1588.40 | 1588.42 | 1581.27 | 1654.39 (5/5) | 1270.68 (4/1) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 453.58 | 452.51 | 454.83 | 459.62 | 468.48 (31/5) | 394.10 (13/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1685.0♥ | 1643.0 | 1595.8 | 1582.0 | 1685.00 (24/5) | 775.00 (5/1) |
| JSE Industrial (28/9/78) | 4663.0♥ | 4641.0 | 4629.0 | 4590.0 | 4663.00 (17/6) | 4333.00 (19/4) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 782.54 | 759.36 | 757.84 | 758.47 | 777.25 (9/6) | 605.93 (6/3) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 261.04 | 260.64 | 259.89 | 258.49 | 262.58 (27/5) | 215.60 (4/1) |
| **SWEDEN** | | | | | | |
| Affarsvariden Gen. (1/3/37) | 1081.8 | (u) | 1076.7 | 1070.2 | 1098.20 (27/5) | 870.10 (28/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 1026.4 | 1015.2 | 1007.7 | 1014.8 | 1026.40 (9/6) | 904.80 (11/1) |
| SBC General (1/4/87) | 793.5 | 786.7 | 779.9 | 785.8 | 793.50 (17/6) | 678.70 (11/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4129.85 | 4188.9 | 4198.3 | 4177.20 | 5013.28 (7/4) | 3088.43 (9/1) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 880.86 | 873.38 | 871.17 | 868.24 | 898.44 (25/1) | 818.84 (1/6) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 584.6* | 585.2 | 569.1 | 578.2 | 576.30 (3/6) | 488.60 (13/1) |
| Euro Top-100 (26/6/90) | 986.41 | 984.08 | 977.53 | 984.80 | 986.41 (17/6) | 882.73 (13/1) |

**Saturday June 12: Taiwan Weighted Price: 4,221.87, Korea Comp Ex. 785.86.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, 983.39, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000. JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

### TOKYO - Most Active Stocks

Thursday, June 17, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nippon Steel | 5.8m | 379 | -8 |
| NEC Corp | 4.3m | 978 | -7 |
| Mitsubishi Heavy | 3.6m | 670 | -11 |
| Hitachi | 3.2m | 839 | -7 |
| Stanley Elect | 3.0m | 806 | +16 |
| Mitsubishi Bank | 2.9m | 2,670 | |
| Ricoh | 2.8m | 780 | -4 |
| Sumitomo Mtl Min | 2.6m | 895 | -24 |
| Kawasaki Hvy Ind | 2.5m | 464 | +4 |
| Mitsui Min & Sml | 2.5m | 517 | +4 |

*4 pm close June 17*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993 High | 1993 Low | Stock | Div. | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14⅝ | 11½ | AAR Corp | 0.48 | 3.7 | 24 | 277 | 13⅛ | 12⅞ | 13 | -⅛ |
| 28⅞ | 20 | A L Labs A | 0.18 | 0.7 | 47 | 564 | 27¼ | 27 | 27⅛ | -¼ |
| 63⅞ | 54⅝ | AMP Inc | 1.60 | 2.5 | 22 | 1330 | 62⅞ | 62⅝ | 62¾ | -⅛ |
| 72¾ | 53½ | AMR | | | 9 | 30170 | 62¼ | 61¼ | 61½ | -4½ |
| 2¼ | 1¾ | ARX | | | 13 | 257 | 2⅛ | 2⅛ | 2⅛ | |
| 51½ | 29⅞ | ASA | 2.00 | 4.5 | 28 | 658 | 45¼ | 44½ | 44⅝ | |
| 30¾ | 22⅝ | Abbott Lab | 0.68 | 2.5 | 17 | 7320 | 27⅜ | 26¾ | 27 | -⅛ |
| 12⅝ | 10¼ | Abitibi Pr | 0.60 | 4.4 | 4 | 2100 | 11¼ | 11¼ | 11¼ | +⅛ |
| 14⅛ | 8¼ | Acptncgin | | | 53 | 8 | 12¾ | 12⅝ | 12¾ | |
| 11¾ | 10¾ | ACM Gvt In | 0.96 | 8.3 | | 99 | 11⅝ | 11½ | 11½ | |
| 10 | 9⅛ | ACM GvOpp | 0.80 | 8.3 | | 37 | 9¾ | 9⅝ | 9⅝ | -⅛ |
| 9⅝ | 8¾ | ACM Gvt Sp | 0.80 | 8.4 | | 105 | 9½ | 9⅜ | 9½ | |
| 11⅞ | 10½ | ACM Gvt Se | 0.96 | 8.6 | | 206 | 11⅛ | 11 | 11⅛ | |
| 11 | 9⅝ | ACM Man | 1.08 | 10.2 | | 44 | 10⅝ | 10⅝ | 10⅝ | |
| 9⅜ | 8⅝ | ACM Managd | 0.72 | 7.9 | | 271 | 9⅛ | 8⅞ | 9⅛ | +¼ |
| 11⅛ | 7¾ | Acme Cleve | 0.40 | 3.7 | 13 | 298 | 10¾ | 10½ | 10¾ | +⅛ |
| 9¼ | 6½ | Acme Elect | | | 291 | 40 | 8¾ | 8⅝ | 8¾ | |
| 16 | 10⅝ | Acuson | | | 14 | 614 | 12⅝ | 12¼ | 12⅝ | -⅛ |
| 22¼ | 18⅝ | Adams Expr | 0.48 | 2.3 | 1 | 61 | 21⅛ | 21 | 21⅛ | +⅛ |
| 66 | 45½ | Ad Micro | 3.00 | 6.1 | | 158 | 49⅝ | 48⅝ | 49 | -⅜ |
| 32¾ | 17⅝ | Ad Micro P | 3.00 | 14.5 | 8 | 13288 | 21¼ | 20⅜ | 20⅝ | -⅜ |
| 7¾ | 5½ | Advest Grp | 0.16 | 2.7 | 10 | 27 | 6 | 5⅞ | 6 | |
| 24¾ | 20 | Advo Inc | 0.06 | 0.3 | 23 | 245 | 21¼ | 21 | 21¼ | +⅜ |
| 49⅝ | 41⅛ | Aegon ADR | 2.95 | 6.4 | 9 | 69 | 46¼ | 45¾ | 45⅞ | -⅛ |
| 55⅞ | 43⅜ | Aetna Lf | 2.76 | 5.0 | 140 | 2230 | 55⅛ | 54½ | 54¾ | |
| 14½ | 11½ | Ahl A | 0.35 | 1.9 | 31 | 2572 | 13⅝ | 13⅝ | 13½ | |
| 32¼ | 26⅞ | Aflac | 0.40 | 1.4 | 15 | 4292 | 31⅝ | 28¾ | 28⅞ | -3⅛ |
| 22⅛ | 16¾ | Ahmanson | 0.88 | 5.0 | 20 | 640 | 17½ | 17¼ | 17½ | |



Continued on next page

4 pm close June 17

# NYSE COMPOSITE PRICES

Continued from previous page

# NASDAQ NATIONAL MARKET

4 pm close June 17

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Ponce Fed | | 4 | 636 | 7¾ | 7 | 7¾ | +⅝ |
| Powell | | 7 | 65 | 7 | d6¾ | 6¾ | -⅛ |
| Pres Life | 0.09 | 8 | 359 | 7¼ | 7 | 7 | |
| Presstek | | 48 | 14 | 22¾ | 21½ | 22 | |
| Preston | 0.12 | 1 | 14 | 4⅛ | 4 | 4 | |
| Price Co | | 14 | 2821 | 39⅜ | 36¾ | 37 | -1½ |
| Pride Pet | | 95 | 171 | 5⅛ | 4¾ | 4¾ | -⅜ |
| Printronl | | 8 | 124 | 7¼ | 6½ | 6¾ | +¼ |
| Prod Ops | 0.20 | 17 | 401 | 23¾ | 22¾ | 22¾ | -⅜ |
| ProtectLi | 1.04 | 11 | 15 | u36¾ | 36¼ | 36½ | -¼ |
| Pulitzer | 0.54 | 12 | 18 | 30 | 29 | 29 | -½ |
| Puritan B | 0.12 | 14 | 128 | 18 | 17½ | 17¾ | -⅛ |
| Pyramid | | 5 | 3267 | 18 | 17½ | 17¾ | -⅛ |
| QuadraLog | | 14 | 13 | 8½ | 8¼ | 8¼ | |
| QuakerChm | 0.60 | 15 | 233 | 20½ | d19½ | 19½ | -½ |
| Qual Food | | 26 | 114 | 35¾ | 35 | 35½ | -¼ |
| Quantum | | 5 | 4217 | 11¼ | d10⅜ | 11⅛ | +⅝ |
| Quicksilv | | 22 | 407 | 12⅛ | 11¼ | 11¼ | -⅞ |
| QVC Netwrk | | 45 | 2201 | 65½ | 63⅝ | 64¾ | +½ |

- R -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Rainbow | | 25 | 797 | 28 | 27¼ | 27¼ | -⅝ |
| Rallys | | 16 | 4294 | 12½ | d11 | 12 | -½ |
| Rasterops | | 7 | 399 | 9¾ | 9¼ | 9⅜ | -¼ |
| Raymond | | 27 | 449 | u19½ | 18½ | 18½ | +½ |

# AMEX COMPOSITE PRICES

4 pm close June 17

AMERICA

# Airlines unloaded for second straight day

## Wall Street

US SHARE prices remained stuck in a narrow trading range yesterday as airline stocks were battered by heavy selling for the second consecutive day, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 1.66 at 3,513.31. The more broadly based Standard & Poor's 500 was 0.01 lower at 447.42, while the Amex composite was up 1.23 at 436.90, and the Nasdaq composite down 0.99 at 695.26. Trading volume on the NYSE was 134m shares by 1 pm.

The mood of the markets remained clouded by uncertainty over the outlook for the economy. Yesterday's economic news was mostly bearish for equities: the April trade deficit widened to $10.49bn because exports fell amid a weakening in overseas economies; weekly unemployment claims were unchanged; and the Philadelphia Federal Reserve reported a sharp deterioration in local business conditions.

Although the data cheered bond investors, stocks remained stuck at opening values. As well as the murky economic picture, equity markets have to contend with uncertainty over President Bill Clinton's economic package, which is currently undergoing a considerable overhaul as it makes its way through Congress.

Among individual sectors, airlines were hammered after the second major carrier in two days issued a warning about its quarterly earnings outlook. AMR, parent of American Airlines, said that second quarter profits would come in well below analysts' forecasts of $1 a share. At the same stage last year AMR made a profit of $2.21 a share. After a delayed opening due to an order imbalance, AMR dropped $4⅞ to $61⅞ in volume of 1.8m shares.

Other airline stocks tumbled: USAir, which on Wednesday issued its own profits warning, fell another $⅞ to $16¼, Delta gave up $1 at $48⅞ and UAL dropped $4¼ to $122¼.

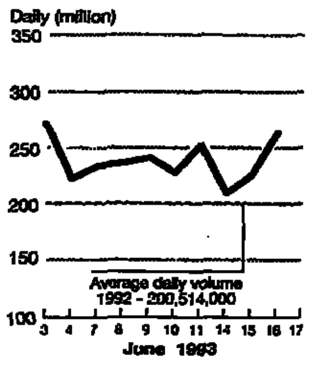
Although Hewlett-Packard claimed that Wednesday's reports of a downbeat earnings forecast from the company's chairman were a misrepresentation, the stock continued to run into heavy selling, falling a further $3 to $80⅞.

Other stocks in the technology sector were mixed, with Digital Equipment down $1⅞ at $41 and IBM $⅞ lower at $49⅞, but Compaq was $⅛ firmer at $54¼ and Motorola up $⅞ at $83⅛.

Pepsico continued to hold its ground in spite of reports of syringes apparently being discovered in cans and bottles of Pepsi. The shares rose $⅞ to $36⅞ amid a growing belief among investors that the syringes may be the work of hoaxers, rather than criminal product-tamperers.

On the Nasdaq market, Adobe Systems fell $3⅞ to $65¼ in volume of 1.6m shares after it reported second quarter earnings below Wall Street forecasts.

### NYSE volume




## Canada

TORONTO climbed slightly at midday as gains in forest products offset losses among real estate and construction companies.

The forest products sector rose 94.72, or 2.4 per cent to 4,115.9 as the TSE 300 composite index advanced by 9.1 to 3,901.6 in volume of 32.8m shares valued at C$334.0m.

# Argentina fails to please an international audience

**John Barham** on a lack of vigour in Buenos Aires

Argentina, recently, has disappointed international investors who expected to profit from exposure to one of Latin America's new miracle economies. After quintupling in 1991 the equity market dropped 48 per cent in the second half of 1992; and 1993, so far, has given punters no cause for celebration.

The Buenos Aires stock market's Merval index has dipped by 5 per cent this year, yet the economy is expanding by 5 per cent, after 8.5 per cent growth in 1992. Brokers, optimistic as ever, are predicting that the bear phase is over. For once, they may be right.

They are hoping that the simultaneous flotation and partial privatisation on July 8 of YPF, Argentina's state-owned oil giant, will kick-start the equities market.

The government has earmarked a maximum of 35 per cent of YPF for the local and international investment market. YPF is to be floated in Buenos Aires, New York and London. Federal and local governments, pensioners and unions will own the remaining 65 per cent of the equity.

The government, conscious of its responsibility for helping torpedo the stock market last year with a viciously overpriced telecoms flotation, has decided to float YPF at a relatively competitive price. Mr Domingo Cavallo, the economy minister, aims to place YPF at only 10 times earnings. In comparison, the market values Astra, a small independent oil producer, on a p/e ratio of 11.

Enthusiastic brokers are saying YPF could well be oversubscribed. If all goes well, a resurgent stock market would soon start attracting investors and prices would recover.

However, a successful gamble on YPF is not going to solve all the market's problems. Mr Pedro Lacoste, a partner of Alpha, a consulting firm, says: "There are few companies that are in a good [market] sector, which have a good management strategy, which are well run, with transparent accounts and good dividend policies."

He reckons that there are perhaps no more than five such stocks among the market's actively traded companies. They include two privatised telephone stocks, two banks and the textile company Alpargatas. Smaller, possibly more interesting, companies are plagued by illiquidity.

This is why an increasing number of observers are saying that the future of the market depends less on the performance of existing stocks and more on an infusion of new blood. Low share prices have discouraged more than a handful of companies from taking the plunge and going public, even though about 30 have already won regulatory approval for a listing. A strong performance by YPF would help overcome their doubts and tempt them to enter the market.

Price and liquidity are not the only problems. Foreign investors also complain bitterly about the lack of transparency in company accounts and suspect even blue chip firms of concealing profits from minority shareholders.

Then there is the problem of absorbing a huge overhang of shares bought by highly leveraged players during the 1992 boom. These speculators, mostly small investors, dump shares bought at the top of the market at any sign of price recovery.

The most notorious victim is Telecom Argentina, the privatised telephone company floated in 1992, whose share price nosedived by one-third soon after its market debut. Telecom's dreadful performance helped bring last year's bull run to a grinding halt. Another casualty is CIADEA, a car company which makes Renault models under licence. Mr Manuel Antelo, CIADEA's president, reckons his company is worth about US$50 per share – against $27 now. Last year CIADEA shares were changing hands at above $70.

The narrow Buenos Aires market is highly susceptible to speculative plays by a small clique of well-informed insiders. More listings are unlikely to make much difference to this casino mentality.

Foreigners and locals alike say Argentina badly lacks strong institutional investors such as insurance companies or investment funds to give the market liquidity, breadth and stability. Government draft legislation, which would introduce a private pension fund system, has been bogged down for almost a year in Congress, where politicians are gradually watering down the original proposals.

EUROPE

# Volatility attributed to options expiry

INACTION was expected from the Bundesbank, but the pending expiry of options brought volatility to the German and Swiss equity markets, while France saw a couple of weak profits forecasts, *writes Our Markets Staff.*

FRANKFURT rose fractionally on the session but dropped later, after the Bundesbank kept interest rates unchanged and in advance of the expiry of DTB options contracts this morning. The DAX index, up 2.73 to 1,692.29 at the official close, was indicated 10 points lower on the Ibis screen-based trading system after hours.

Earlier, a gentle downtrend in most banks, and in Siemens, was offset by strength in carmakers after Daimler's finance director forecast doubled net profits in 1994 following a drop of a third in 1993. In London, brokers James Capel, bearish of the shares, estimated that this put them on a 1992 p/e of 60.7 falling to 37.9 in 1994; more bullish, Mr Michael Geiger of NatWest Securities put the ratios at 60.2, and 24.0 respectively.

Daimler moved from a rise of DM7.10 at the close to finish DM3.60 better at DM606 after hours, said Mr Nigel Longley at Commerzbank in Frankfurt, and other carmakers eased accordingly. Siemens was down DM5.70 to DM614.50 in the post bourse, and Deutsche Bank DM5.90 lower at DM692.10.

Turnover fell from DM6.2bn to DM5.4bn. Mr Longley noted that the DTB DAX contracts expiry will be measured on the first quoted DAX index of today, and forecast an interesting morning.

MILAN was encouraged on news, which came out after Wednesday's close, that Ferruzzi creditor banks had agreed to support the group during its restructuring process. The Comit index closed up 13.95 or 2.75 per cent at 521.96.

Ferruzzi and Montedison shares recovered by 14 per cent and 13 per cent respectively, rising L68.00 to L562.80 and by L96 to L846.

Commenting on the announcement, one analyst in Milan said that the banks would have a much bigger influence on the group than hitherto, with the Ferruzzi family's responsibilities cut back. An early sale of Fondiaria is to be expected, he said.

Among the banks, Mediobanca gained L500 to L15,200 and rose further to L15,375 on the kerb; BCI rose L191 to L5,090 and Credito Italiano by L160 to L2,690.

There was strong activity in Fiat, up L330 at L5,720, on a variety of rumours, while the telecoms stocks, strong in recent weeks, eased. Stet losing L85 to L3,180.

ZURICH advanced by 1.3 per cent, the SMI index closing 29.1 higher at 3,323.1, a tenth of a point below its all-time high.

Nestlé, and Roche certificates surged in active late trade, gaining SFr17 to SFr1,123, and SFr110 to SFr4,830 respectively. Dealers said that the late upturn could be related to tomorrow's expiry of contracts on the Soffex options and futures exchange.

PARIS came off the day's high but just held the 1,900 level, the CAC-40 index ending 18.50 lower at 1,900.31. Turnover also slipped, to FFr2.8bn from Wednesday's FFr3.3bn.

Havas featured with a fall of FFr11.40 to FFr414.10 after Mr Pierre Dauzier, the chairman, downgraded 1993 profit forecasts and warned, in addition, that 1994 may not bring much relief.

Further evidence of the worsening economic picture was given by St Gobain, off FFr12.10 to FFr476.70. In a letter to shareholders, the group forecast a bad first half, said that 1993 will be even worse than 1992, and warned that further job cuts might be necessary.

Docks de France built on Wednesday's gains following news of an acquisition, rising FFr17 to FFr498.

ISTANBUL put on another 2.7 per cent as coalition talks between the True Path party and the Populist Party made progress. The market index gained 261.8 to 9,921.97 in turnover estimated at TL1,000bn.

TEL AVIV dropped after two days of gains on renewed fears of a tax on stock market profits. The Mishtanim index lost 3.9 to 200.28.

Israel's prime minister, Mr Yitzhak Rabin, said on Tuesday that there would be no capital gains tax imposed on stock profits in the near future, but an influential Israeli newspaper reported yesterday that the finance ministry was still considering this option.

**FT-SE Actuaries Share Indices**

June 17 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1184.33 | 1185.33 | 1184.92 | 1184.64 | 1184.94 | 1185.07 | 1183.01 | 1182.69 |
| FT-SE Eurotrack 200 | 1237.91 | 1238.64 | 1239.28 | 1240.87 | 1240.36 | 1239.09 | 1238.11 | 1238.06 |

| | Jun 16 | Jun 15 | Jun 14 | June 11 | June 10 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1181.17 | 1173.17 | 1181.59 | 1181.85 | 1181.45 |
| FT-SE Eurotrack 200 | 1236.97 | 1229.86 | 1234.83 | 1232.37 | 1230.25 |

Base value 1000 (26/10/90) High/day: 100 - 1188.48; 200 - 1242.20 Low/day: 100 - 1182.54 200 - 1238.16

ASIA PACIFIC

# Nikkei rises despite fears of early election

## Tokyo

EQUITIES moved within a narrow range on fears that Mr Kiichi Miyazawa, the prime minister, may have to call a snap election, *writes Emiko Terazono in Tokyo.*

Late afternoon support by public funds, however, helped to prop up the Nikkei average, which rose by 23.09 to 19,925.51 after a day's low of 19,647.42 and high of 19,950.01.

The index initially weakened on reports that opposition parties had submitted a motion of no confidence against Mr Miyazawa. However, it rebounded on buying by public funds, triggering index-linked demand from investment trusts.

Volume fell to 300m shares from 368m. Declines led advances by 593 to 383, with 173 issues unchanged. The Topix index of all first section stocks lost 6.55 at 1,593.59, and in London the ISE/Nikkei 50 index eased 0.08 to 1,208.90.

The lower house will vote on the no confidence motion today and, if it is passed, Mr Miyazawa must resign within 10 days or call a general election.

Mr Yuji Tanahashi, vice-minister of international trade and industry, voiced his concern yesterday over the current political situation. He acknowledged that the recent fall in the stock market stemmed from political uncertainty, adding that the business community was worried about the effect it might have on the economy.

The political developments affected the yen as investors sold the Japanese currency against the dollar, which closed Y0.65 firmer at Y107.

Leading exporters were higher on the yen's fall: Matsushita appreciated Y40 to Y1,250 and Honda Motor by Y20 to Y1,390. However, electric power utilities were lower on the currency movements, with Tokyo Electric Power retreating Y40 to Y3,690.

Foreigners took profits on bank holdings: Chugoku Bank receded Y90 to Y1,570 and Kita Nippon Bank dipped Y300 to Y5,600.

Communications were the day's top losers, falling 2.15 per cent. Nippon Telegraph and Telephone shed Y14,000 to Y905,000 on profit-taking.

In Osaka, the OSE average finished 51.18 down at 21,989.06 in volume of 18m shares.

## Roundup

THERE WAS considerable activity among the region's markets yesterday.

HONG KONG ended sharply lower on disappointment over the lack of progress in the Sino-British talks. The Hang Seng index declined 115.73, or 1.6 per cent, to 7,189.10 in moderate turnover of HK$4.75bn.

Prices lost ground throughout the day, with the fall accelerated in the afternoon by rumours that mainland companies might sell assets in Hong Kong to repatriate funds and boost the yuan. The Chinese currency reached a low of Yn10.9 to the US dollar on the Shanghai swap market.

Among the actives, new listing Shangri-la Asia closed at HK$6.00, up HK$1.10 from the issue price, on its first day of trading. HSBC relinquished HK$1 to HK$73.

KUALA LUMPUR closed broadly weaker, although light bargain hunting in the last hour lifted prices from the day's lows. The composite index was finally 16.05, or 2.2 per cent, down at 720.46, the lowest level since May 17.

Some brokers said the market was undergoing a correction and that a further retracement was likely after the bull run which had started in April.

Volume was 299.8m shares, against Wednesday's 385.9m.

SEOUL was higher for the second consecutive day, with buying interest concentrated on low-priced shares. The composite index rose 3.28 to 762.54 in turnover of Won814.6bn.

TAIWAN finished lower on disappointment following comments from the central bank that there would be no further easing in interest rates. The weighted index fell 59.05, or 1.4 per cent, to 4,129.85 in turnover of T$16.7bn.

MANILA saw bargain hunting lift the composite index 7.90 to 1,576.30 in turnover of 105m pesos.

BANGKOK remained firm, the SET index moving forward 7.27 to 880.66 amid turnover of Bt9.2bn.

Finance and securities firms led the gains in the afternoon, while property stocks eased.

AUSTRALIA was led higher by gold issues and selected blue chips. The All Ordinaries index ended 2.5 up at 1,727.2 in turnover of A$279m, and the gold shares index put on 26.1 at 1,743.2. Plutonic advanced 39 cents to A$5.40.

BOMBAY moved lower on the kerb on rumours that Prime Minister P V Narasimha Rao may resign.

This followed allegations made by Mr Harshad Mehta, the stockbroker at the centre of the securities scandal, that he had made a Rs10m payment to Mr Rao.

The BSE index closed 62.65 lower at 2,229.00.

KARACHI was higher, helped by strength in the car sector after the government said it would review new taxes on vehicles. The KSE index rose 4.38 to 1,205.31.

## SOUTH AFRICA

SUPPORTED by a steady bullion price, gold shares held on to the day's gains. The index finished 22 higher at 1,665, while industrials added 22 at 4,663 and the overall index 25 at 3,978. De Beers climbed 65 cents to R78.35.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for trading on 18.06.93: Pool purchase price £/MWh | Final Prices for trading on 21.05.93: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 19.00 | 23.77 | 26.96 |
| 0100 | 18.09 | 23.45 | 26.58 |
| 0130 | 18.09 | 23.77 | 27.05 |
| 0200 | 18.09 | 23.77 | 27.00 |
| 0230 | 18.09 | 23.77 | 26.98 |
| 0300 | 18.09 | 23.77 | 26.99 |
| 0330 | 18.09 | 23.77 | 26.94 |
| 0400 | 18.09 | 18.70 | 18.70 |
| 0430 | 18.09 | 18.70 | 18.70 |
| 0500 | 18.09 | 18.89 | 18.89 |
| 0530 | 20.26 | 18.64 | 18.64 |
| 0600 | 20.26 | 18.61 | 18.61 |
| 0630 | 20.26 | 18.66 | 18.88 |
| 0700 | 20.58 | 23.71 | 26.95 |
| 0730 | 24.39 | 25.97 | 29.22 |
| 0800 | 25.08 | 26.46 | 29.58 |
| 0830 | 26.67 | 27.23 | 30.44 |
| 0900 | 27.09 | 27.25 | 30.41 |
| 0930 | 30.85 | 27.26 | 30.45 |
| 1000 | 31.10 | 27.27 | 30.45 |
| 1030 | 31.10 | 27.27 | 30.46 |
| 1100 | 28.36 | 27.27 | 30.46 |
| 1130 | 31.42 | 27.27 | 30.47 |
| 1200 | 34.60 | 27.28 | 30.47 |
| 1230 | 34.41 | 27.26 | 30.44 |
| 1300 | 33.88 | 27.13 | 30.28 |
| 1330 | 28.90 | 27.10 | 30.22 |
| 1400 | 28.65 | 27.09 | 30.22 |
| 1430 | 26.66 | 27.08 | 30.22 |
| 1500 | 26.64 | 27.08 | 30.22 |
| 1530 | 26.61 | 27.09 | 30.23 |
| 1600 | 26.08 | 27.09 | 30.23 |
| 1630 | 32.32 | 27.09 | 30.22 |
| 1700 | 33.04 | 34.00 | 37.36 |
| 1730 | 33.04 | 34.00 | 37.36 |
| 1800 | 33.02 | 31.11 | 34.40 |
| 1830 | 26.08 | 25.31 | 28.45 |
| 1900 | 26.08 | 25.31 | 28.47 |
| 1930 | 26.08 | 25.31 | 28.49 |
| 2000 | 26.08 | 25.31 | 28.60 |
| 2030 | 26.08 | 25.14 | 28.31 |
| 2100 | 26.08 | 25.14 | 28.31 |
| 2130 | 26.08 | 34.00 | 37.50 |
| 2200 | 33.00 | 34.00 | 37.47 |
| 2230 | 33.00 | 34.00 | 37.49 |
| 2300 | 33.00 | 25.05 | 28.23 |
| 2330 | 22.05 | 25.05 | 28.27 |
| 2400 | 20.58 | 25.05 | 28.30 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY JUNE 16 1993 | | | | | | | | TUESDAY JUNE 15 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx) |
| Australia (68) | 134.87 | +0.4 | 132.95 | 90.88 | 116.29 | 132.09 | +0.0 | 3.79 | 134.36 | 130.88 | 89.68 | 114.38 | 132.15 | 144.19 | 117.39 | 146.61 |
| Austria (18) | 145.10 | −1.9 | 143.03 | 97.78 | 125.11 | 125.22 | −0.2 | 1.57 | 147.96 | 144.12 | 98.76 | 125.96 | 125.45 | 150.96 | 131.16 | 171.61 |
| Belgium (42) | 144.44 | −0.1 | 142.39 | 97.33 | 124.55 | 121.47 | +1.2 | 4.71 | 144.60 | 140.85 | 96.61 | 123.10 | 119.99 | 156.76 | 131.19 | 142.56 |
| Canada (108) | 127.75 | +0.0 | 125.93 | 86.07 | 110.14 | 118.40 | +0.0 | 2.86 | 127.76 | 124.45 | 85.27 | 108.75 | 118.37 | 129.97 | 111.41 | 125.61 |
| Denmark (33) | 213.88 | −0.8 | 210.83 | 144.12 | 184.41 | 184.50 | +0.5 | 1.22 | 215.60 | 210.01 | 143.92 | 183.54 | 183.63 | 225.64 | 185.11 | 231.91 |
| Finland (23) | 89.18 | −0.1 | 87.91 | 60.10 | 76.90 | 104.53 | +1.8 | 1.17 | 89.31 | 86.99 | 59.62 | 76.03 | 102.69 | 100.92 | 65.50 | 77.00 |
| France (97) | 153.51 | −0.3 | 151.33 | 103.44 | 132.36 | 134.25 | +0.9 | 3.36 | 153.92 | 149.93 | 102.73 | 131.02 | 133.03 | 167.36 | 142.72 | 159.51 |
| Germany (62) | 111.59 | −1.0 | 110.00 | 75.20 | 96.21 | 96.21 | +0.3 | 2.20 | 112.71 | 109.79 | 75.24 | 95.95 | 95.95 | 117.10 | 101.59 | 124.07 |
| Hong Kong (55) | 297.52 | +0.2 | 293.29 | 200.48 | 256.55 | 295.23 | +0.2 | 3.19 | 296.81 | 289.12 | 198.12 | 252.69 | 294.50 | 301.61 | 218.82 | 246.81 |
| Ireland (15) | 159.52 | −1.4 | 157.25 | 107.49 | 137.55 | 152.81 | +0.0 | 3.53 | 161.74 | 157.55 | 107.97 | 137.70 | 152.85 | 170.40 | 129.28 | 160.31 |
| Italy (73) | 65.20 | −1.5 | 64.27 | 43.93 | 56.22 | 73.40 | −0.2 | 2.13 | 66.16 | 64.45 | 44.16 | 56.32 | 73.57 | 72.82 | 53.78 | 69.51 |
| Japan (470) | 148.54 | −2.0 | 146.42 | 100.09 | 128.09 | 100.09 | −1.1 | 0.83 | 151.60 | 147.67 | 101.19 | 129.08 | 101.19 | 155.96 | 100.75 | 98.29 |
| Malaysia (69) | 342.78 | −1.4 | 337.90 | 230.97 | 295.55 | 338.69 | −1.2 | 1.99 | 347.59 | 338.59 | 232.01 | 295.91 | 342.64 | 349.34 | 251.86 | 241.48 |
| Mexico (18) | 1471.40 | +1.7 | 1450.45 | 991.48 | 1268.72 | 5015.28 | +1.9 | 1.35 | 1447.28 | 1409.80 | 966.08 | 1232.12 | 4922.78 | 1725.81 | 1410.30 | 1488.64 |
| Netherland (24) | 167.70 | −0.7 | 165.31 | 113.00 | 144.60 | 142.40 | +0.5 | 3.86 | 168.90 | 164.53 | 112.74 | 143.79 | 141.65 | 172.75 | 150.39 | 162.08 |
| New Zealand (13) | 49.18 | +0.2 | 48.48 | 33.14 | 42.41 | 47.98 | +0.1 | 4.63 | 49.07 | 47.80 | 32.76 | 41.78 | 47.95 | 49.82 | 40.56 | 46.34 |
| Norway (22) | 153.04 | +0.1 | 150.86 | 103.13 | 131.96 | 145.46 | +1.2 | 1.81 | 152.93 | 148.97 | 102.08 | 130.20 | 143.74 | 166.21 | 137.71 | 179.39 |
| Singapore (38) | 250.62 | −1.0 | 247.05 | 168.88 | 216.09 | 186.75 | −0.4 | 1.85 | 253.09 | 246.54 | 168.95 | 215.46 | 187.55 | 262.72 | 207.04 | 228.08 |
| South Africa (60) | 193.92 | +0.3 | 191.16 | 130.66 | 167.20 | 197.09 | +0.6 | 2.56 | 193.41 | 188.40 | 129.10 | 164.65 | 195.93 | 201.01 | 144.72 | 237.10 |
| Spain (46) | 129.06 | −0.8 | 127.21 | 86.96 | 111.27 | 123.82 | +0.4 | 4.79 | 130.08 | 126.71 | 86.83 | 110.74 | 123.33 | 132.82 | 115.23 | 154.17 |
| Sweden (36) | 174.69 | −0.8 | 172.20 | 117.71 | 150.63 | 192.06 | +1.0 | 1.75 | 176.12 | 171.56 | 117.57 | 149.94 | 190.26 | 184.06 | 149.70 | 193.30 |
| Switzerland (52) | 125.27 | −0.7 | 123.49 | 84.42 | 108.03 | 115.37 | +0.8 | 1.89 | 126.16 | 122.90 | 84.22 | 107.42 | 114.43 | 129.36 | 108.91 | 108.01 |
| United Kingdom (219) | 176.09 | −0.8 | 173.59 | 118.65 | 151.82 | 173.59 | +0.4 | 4.00 | 177.50 | 172.91 | 118.47 | 151.10 | 172.91 | 181.99 | 162.00 | 193.14 |
| USA (519) | 182.76 | +0.2 | 180.15 | 123.15 | 157.59 | 182.76 | +0.2 | 2.80 | 182.31 | 177.59 | 121.70 | 155.21 | 182.31 | 186.27 | 175.38 | 163.89 |
| Europe (762) | 144.21 | −0.8 | 142.16 | 97.18 | 124.35 | 134.73 | +0.5 | 3.29 | 145.31 | 141.54 | 97.00 | 123.71 | 134.05 | 149.02 | 133.92 | 153.00 |
| Nordic (114) | 163.04 | −0.7 | 160.71 | 109.86 | 140.58 | 158.53 | +0.9 | 1.57 | 164.16 | 159.91 | 109.58 | 139.76 | 157.06 | 171.77 | 142.13 | 177.11 |
| Pacific Basin (713) | 152.39 | −1.8 | 150.22 | 102.69 | 131.40 | 106.86 | −1.0 | 1.10 | 155.16 | 151.18 | 103.58 | 132.11 | 107.92 | 159.07 | 105.89 | 105.01 |
| Euro-Pacific (1475) | 148.92 | −1.4 | 146.80 | 100.34 | 128.40 | 118.62 | −0.4 | 1.97 | 151.01 | 147.10 | 100.80 | 128.56 | 119.09 | 154.05 | 117.26 | 124.41 |
| North America (627) | 179.33 | +0.2 | 176.77 | 120.85 | 154.65 | 178.37 | +0.2 | 2.80 | 178.91 | 174.28 | 119.44 | 152.34 | 177.95 | 182.38 | 171.51 | 161.48 |
| Europe Ex. UK (543) | 124.51 | −0.7 | 122.74 | 83.91 | 107.38 | 112.83 | +0.6 | 2.81 | 125.42 | 122.17 | 83.74 | 106.80 | 112.17 | 128.65 | 112.51 | 129.04 |
| Pacific Ex. Japan (243) | 190.64 | −0.1 | 187.93 | 128.43 | 164.40 | 175.94 | −0.1 | 3.13 | 190.78 | 185.84 | 127.37 | 162.44 | 176.16 | 194.08 | 152.70 | 171.12 |
| World Ex. US (1661) | 149.45 | −1.3 | 147.32 | 100.71 | 128.87 | 120.70 | −0.3 | 2.00 | 151.42 | 147.50 | 101.08 | 128.91 | 121.12 | 154.27 | 118.51 | 126.56 |
| World Ex. UK (1961) | 158.01 | −0.7 | 155.76 | 106.48 | 136.26 | 136.49 | −0.2 | 2.13 | 159.13 | 155.01 | 106.23 | 135.49 | 136.73 | 161.34 | 134.22 | 133.02 |
| World Ex. So. Af. (2120) | 159.49 | −0.7 | 157.22 | 107.48 | 137.53 | 139.38 | −0.1 | 2.30 | 160.65 | 156.49 | 107.24 | 136.78 | 139.56 | 162.74 | 137.29 | 137.54 |
| World Ex. Japan (1710) | 167.39 | −0.1 | 165.01 | 112.80 | 144.36 | 162.13 | +0.3 | 2.88 | 167.56 | 163.24 | 111.87 | 142.69 | 161.61 | 170.05 | 157.47 | 160.50 |
| The World Index (2180) | 159.61 | −0.7 | 157.34 | 107.56 | 137.84 | 139.87 | −0.1 | 2.31 | 160.78 | 156.60 | 107.31 | 136.87 | 140.04 | 162.86 | 137.32 | 138.20 |


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